PROVINCE OF SASKATCHEWAN

11-12

ANNUAL REPORT

SASKATCHEWAN
LIQUOR & GAMING
AUTHORITY

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This annual report is also available online at www.slga.gov.sk.ca

Letters of Transmittal

Regina, Saskatchewan
July 2012

Her Honour, the Honourable Vaughn Solomon Schofield
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Saskatchewan Liquor and Gaming Authority (SLGA) for the period ending March 31, 2012. This report includes the financial statements in the form required by Treasury Board and in accordance with *The Alcohol and Gaming Regulation Act, 1997.* The financial statements show a record financial year with net income of $463.5 million.

Our Government is dedicated to increasing transparency and accountability by inviting the public to measure our progress against our commitments to the Saskatchewan people. SLGA's strategies and actions are aligned with Government's direction to help deliver on Government's plan for Saskatchewan. This annual report measures SLGA's success in meeting its commitments as outlined in its 2011-12 Plan and the Minister's mandate letter and demonstrates SLGA's continued commitment to managing expenditures responsibly.

Highlights of SLGA's accomplishments in 2011-12 include: the generation of $463.5 million in net income; the initiation of strategies in support of long-term economic growth and sustainability in the liquor and gaming sectors; the continued application of Lean methodology to identify opportunities to increase efficiencies in its business processes; an extensive review of the liquor regulatory environment; and continued support for the Report Impaired Drivers (RID) program that was expanded province-wide.

Annual reports are an important accountability document and also help inform future planning and resource allocation in the upcoming years. Given the strong results SLGA has shown in 2011-12, I am confident that it will continue to be a positive contributor to the growth and prosperity of the province in the years ahead.

Donna Harpauer

Donna Harpauer
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

Letters of Transmittal

July 2012
Honourable Donna Harpauer
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

Honourable Donna Harpauer:

I have the honour of submitting the 2011-12 Annual Report of the Saskatchewan Liquor and Gaming Authority (SLGA) for the fiscal year ending March 31, 2012.

On behalf of SLGA, I acknowledge responsibility for this report and am pleased to provide assurances on the accuracy, completeness and reliability of the information contained within it. I also acknowledge responsibility for the financial administration and management control of SLGA.

This annual report highlights SLGA's many achievements in 2011-12 and reflects another successful year for the organization.

Barry C. Lacey, CA, CMA
President & CEO
Saskatchewan Liquor and Gaming Authority

Introduction

This annual report presents SLGA's activities and results for the fiscal year ending March 31, 2012. It reports to the public and elected officials on the progress of public commitments made and other key accomplishments of SLGA.

Although a renewed vision and set of goals were introduced as part of the 2011 provincial election, the 2011-12 Annual Report will be presented in relation to the vision and goals that guided the development of the 2011-12 Plan.

Results are provided on publicly committed strategies, actions and performance measures identified in the 2011-12 Plan. The report also demonstrates progress made on Government commitments as stated in the *Government Direction for 2011-12: The Saskatchewan Advantage*, the Minister's Mandate letter, throne speeches and other commitments and activities of SLGA.

The annual report demonstrates SLGA's commitment to effective public performance reporting, transparency and accountability to the public.

Alignment with Government's Direction

SLGA's 2011-12 Annual Report aligns with Government's vision and three goals:

Our Government's Vision

A secure and prosperous Saskatchewan, leading the country in economic and population growth, while providing a high quality of life for all.

Government's Goals

- **Sustain economic growth** for the benefit of Saskatchewan people, ensuring the economy is ready for growth and positioning Saskatchewan to meet the challenges of economic and population growth and development.
- **Secure Saskatchewan** as a safe place to live and raise a family where people are confident in their future, ensuring the people of Saskatchewan benefit from the growing economy.
- **Keep Government's promises** and fulfill the commitments of the election, operating with integrity and transparency, accountable to the people of Saskatchewan.

Together, all ministries and agencies support the achievement of Government's three goals and work towards a secure and prosperous Saskatchewan.

In 2011-12, SLGA supported Government's goals through initiatives in the following key areas:

- Advancing strategies in support of long-term economic growth and sustainability in the liquor and gaming sectors;
- Continuing to review the regulatory framework with a view to reduce red tape and improve competitiveness in the business environment;
- Expanding and introducing initiatives in support of the socially responsible sale and distribution of liquor and gaming products and services;
- Reviewing operations and business processes to ensure continuous improvement in internal operational efficiency and productivity; and,
- Improving customer service.

In addition, SLGA's $463.5 million in net income for 2011-12 will help fund Government initiatives in priority areas such as health, education and infrastructure.

Overview

SLGA's Mission Statement

Serving Saskatchewan people with excellence while promoting economic growth through the socially responsible distribution, management, operation and regulation of liquor and gaming products.

The Saskatchewan Liquor and Gaming Authority (SLGA) is a Treasury Board Crown Corporation responsible for the distribution, regulation, management and operation of liquor and gaming across the province. SLGA achieves its mandate through socially responsible, fair and cost-effective services and programs delivered by employees at offices in Regina and Saskatoon, a liquor distribution centre in Regina and a network of 79 liquor stores in 64 communities throughout the province. In 2011-12, SLGA partnered with two urban specialty wine stores and with approximately 190 small businesses in rural Saskatchewan to sell beverage alcohol on its behalf in communities not supported by a liquor store.

In addition to regulating all liquor-permitted premises in the province, SLGA fulfills a number of distinct roles in the provincial gaming sector. First, SLGA directly manages the majority of the province's electronic gaming machines, including the province's network of video lottery terminals (VLTs) and the slot machines at First Nations casinos. Second, SLGA plays an important role in regulating the province's eight casinos: six First Nations casinos operated by the Saskatchewan Indian Gaming Authority (SIGA); and two casinos in Moose Jaw and Regina operated by SaskGaming. Third, SLGA also licenses and regulates most other forms of gaming including bingo, raffles, breakopen tickets, Texas Hold'em poker and Monte Carlo events as well as the provincial horse racing industry.

As of March 31, 2012, SLGA employed approximately 1,002 staff throughout the province (the comparable figure in 2010-11 was 1,051), the majority of which work part-time. Approximately 90 per cent of employees are members of the Saskatchewan Government and General Employees' Union (SGEU) Local 6080.

SLGA operates under *The Alcohol and Gaming Regulation Act, 1997* and works in partnership with a broad range of stakeholders and clients, including: the Federation of Saskatchewan Indian Nations (FSIN); the Saskatchewan Indian Gaming Authority; Indigenous Gaming Regulators (IGR); Western Canada Lottery Corporation (WCLC); the Canadian Restaurant and Foodservices Association (CRFA); the Saskatchewan Hotel and Hospitality Association (SHHA); the Saskatchewan Liquor Vendors Association (SLVA); liquor-permitted establishments; non-profit clubs; charity associations/individual charities; the Canadian Vintners Association; the Responsible Gambling Council (RGC); the Canadian Centre on Substance Abuse (CCSA); the Brewers of Canada; Spirits Canada; and, the SGEU (see Appendix B for an overview of SLGA's stakeholders and partners).

SLGA has six divisions:

- The Retail Operations Division is responsible for the purchasing, warehousing, distribution and retailing of beverage alcohol in Saskatchewan. The Division oversees Saskatchewan's liquor stores, franchises and a central distribution centre.
- The Regulatory Compliance Division is responsible for the licensing, inspection and monitoring of liquor and most gaming activities in the province. The Division manages the charitable gaming grant program, is responsible for horse racing and provides community information and education seminars.
- The Gaming Operations Division is responsible for the planning, implementation and management of the video lottery terminal program, breakopen vending machine program and the slot machines in First Nations casinos along with the implementation of the operational agreements relating to the province's First Nations casinos.

- The Corporate Services Division provides budgeting, financial reporting, payroll, administrative, procurement, information systems, enterprise project management, enterprise risk management, property management and audit support services to the organization.
- The Human Resources Division provides strategic human resource direction and is responsible for human resource planning, recruitment, labour relations, total compensation, training, organizational development, and employee health, safety and productivity.
- The Policy and Planning Division is responsible for corporate planning, performance measurement, performance reporting, policy development and analysis, privacy/Freedom of Information, research and evaluation, and legislative services for the organization. The Division also plays a central role in the ongoing implementation of the Gaming Framework Agreement (GFA) between the Province and the FSIN.

Progress in 2011-12

Government Goal: Economic Growth

SLGA supports Government's goal to sustain economic growth for the benefit of Saskatchewan people, ensuring the economy is ready for growth and positioning Saskatchewan to meet the challenges of economic and population growth and development.

STRATEGY - SUPPORT ECONOMIC GROWTH IN LIQUOR AND GAMING INDUSTRIES AND ASSOCIATED SECTORS

Key Actions & Results

- In order to address growing volumes and improve customer service, SLGA is continuing to develop plans for a replacement warehouse facility.
- A new beer discount structure for commercial permittees with off-sale endorsements was implemented effective April 1, 2011. The beer discount was increased by approximately 62 per cent. Year-end data indicates that the amount of the discount accruing to commercial permittees had increased by $4.9 million, or 66.7 per cent, relative to 2010-11.
- A project to replace the Province's 4,000 VLTs and the VLT central system is on target to be completed by March 31, 2013. The Request for Proposal (RFP) process for the VLTs and central system has concluded and contracts for the purchase are near completion. The central system is anticipated to be installed in fall 2012 and the VLTs will be installed in the late fall/ early winter.
- SLGA continues to support the charitable gaming industry through the charitable gaming grant program. The program issues grant payments equal to 25 per cent of the net revenue generated by an organization through licensed charitable gaming activities to a maximum of $100,000 annually per organization. In 2011-12, grants worth $6.0 million were paid to charitable organizations.

Performance Measures & Results

Liquor Sales

The dollar value of liquor sales has continued to grow over the past five years. This growth has been driven by a combination of volume increases, price increases and changing consumer preferences towards specialty and higher priced products. Saskatchewan's strong economy with low unemployment rates, a growing population and strong income levels have all contributed to the growth in this sector. In 2011-12, beer and refreshment beverage sales rebounded after being negatively impacted by a cold and wet summer in 2010 while wine and spirit sales continued on an upward trend.

	2007-08	2008-09	2009-10	2010-11	2011-12
Liquor Sales	$469.7 M	$506.5 M	$541.1 M	$550.5 M	$571.8 M

Source: SLGA Corporate Services Division

VLT Revenue

SLGA's VLT program balances social and fiscal responsibilities. The number of VLTs in the province is capped at 4,000. SLGA contracts with the Western Canada Lottery Corporation (WCLC) to operate and maintain the VLTs. This measure reflects the gross amount of VLT activity prior to the payment of VLT site commissions or operating expenses. Although VLT revenue rebounded slightly in 2011-12, increased gaming opportunities from the casino sector, changing player preferences and aging VLT machines have all contributed to the overall decline in VLT activity since 2007-08. The replacement of VLTs that will begin in 2012-13 is expected to reverse the downward trend over the medium term. As at March 31, 2012, there were 3,955 VLT machines at 613 sites in 296 Saskatchewan communities.

	2007-08	2008-09	2009-10	2010-11	2011-12
Gross VLT Revenue	$247.1 M	$241.0 M	$225.8 M	$223.3 M	$226.4 M

Source: SLGA Corporate Services Division

VLT Site Commission

SLGA owns the VLT machines and supports local businesses through a 15 per cent commission paid to liquor permitted establishments that host VLTs. Site commission revenue for the year ending March 31, 2012 was $34.4 million, up slightly from $33.9 million in 2010-11. Looking at the five-year trend, the peak in 2007-08 was primarily due to a one-time cost associated with the negotiated closing of the Emerald Casino in Saskatoon. Consistent with the trend in gross VLT revenue, VLT site commissions followed a downward trend through 2010-11, recovering slightly in 2011-12. SLGA's 2012-13 reinvestment in VLT infrastructure is expected to reverse the downward trend over the medium term, sustaining revenue from this sector for SLGA stakeholders.

	2007-08	2008-09	2009-10	2010-11	2011-12
VLT Site Commission	$39.9 M	$36.6 M	$34.3 M	$33.9 M	$34.4 M

Source: SLGA Corporate Services Division

Charitable Gaming Grant

The charitable gaming grant program was implemented in 2006-07 to help stabilize revenue to the charitable gaming sector. The grant program issues grant payments equal to 25 per cent of the net revenue generated by an organization through licensed charitable gaming activities up to a maximum of $100,000 per year per organization. In 2011-12, $6.0 million in grant payments were expensed compared to $5.7 million in 2010-11. Over the past five years, the volatility in this measure has been the result of fluctuations in the estimated grant liability at year end. The corresponding charitable gaming proceeds totalled $26.7 million compared to $27.7 million in 2010-11. The decline in 2011-12 is due to a decline in bingo revenue that was partially offset by an increase in raffle revenue.

	2007-08	2008-09	2009-10	2010-11	2011-12
Charitable Gaming Grant	$8.0 M	$6.7 M	$7.8 M	$5.7 M	$6.0 M

Source: SLGA Corporate Services Division

Horse Racing Grant

The horse racing industry received $1.5 million in grants in 2011-12. Four tracks received support for horse racing: Saskatoon's Marquis Downs, Melville Agri-Park, Regina's West Meadows and the Yorkton Exhibition Association. The grants provide funding for purses, racing operations, breeding incentives and facility improvements that support the horse racing industry in Saskatchewan. In 2011-12, the live horse racing handle was $1.1 million with simulcast totalling $7.5 million. The $8.6 million handle in 2011-12 was down from $9.1 million in 2010-11. In 2011-12, SLGA informed the horse racing industry that 2012-13 will be the last year of grant funding.

STRATEGY - MODERNIZE SLGA'S POLICY FRAMEWORK TO ALLOW FOR GREATER FLEXIBILITY AND ENCOURAGE INCREASED INVOLVEMENT BY STAKEHOLDERS IN THE ECONOMY

Key Actions & Results

- SLGA continued to review its regulatory framework with a view to improve the business environment for stakeholders while maintaining a balance with social responsibility and community safety concerns (2010 Mandate Letter).
    - In September 2011, SLGA approved a policy that allows brew pubs to deliver their manufactured beer directly to commercial permittees, allowing brew pubs to provide better customer service to their commercial permittee customers and reducing the red tape previously involved in the transaction.

- SLGA continues to consult with the Saskatchewan Liquor Vendors Association (SLVA) regarding rural franchise viability concerns. In addition, SLGA has been working with SLVA on franchise operating guidelines that are intended to better describe franchisee roles and responsibilities, improving franchisee understanding of processes that must be followed to meet the conditions of their agreement.
- SLGA continues to explore opportunities for charitable gaming stakeholders to improve accessibility and viability of their gaming products.
- Following additional stakeholder consultation to review concerns regarding the bulk purchase of spirits for blending purposes and the sale of product at farmers' markets, the draft micro distillery policy is currently being finalized.
- As part of the government-wide Red Tape Reduction initiative, SLGA worked with Enterprise Saskatchewan to conduct a liquor regulatory review. In March 2012, the Red Tape Reduction Committee, a sub-committee of the Legislation and Regulation Review Committee, met twice to hear submissions from SLGA and industry stakeholders and to consider options developed by SLGA for its consideration. Final decisions are expected in 2012-13. Changes are anticipated to be implemented in 2012-13 and 2013-14, depending upon the type of change required (i.e. legislation, regulation or policy).

Performance Measure & Results

Total Gross Franchise and Commercial Permittee Beverage Alcohol Purchases

The following table illustrates the beverage alcohol purchases made by SLGA's partners, reflecting the extent to which the Saskatchewan market is served by a combined public/private distribution model. The franchises and commercial permittees in turn generate additional revenue and economic activity through the resale of beverage alcohol in support of other core business areas such as accommodation, food services and retail sales.

Saskatchewan's strong economy and its impact on these business sectors are evident in the following figures. Franchise purchases have continually increased since 2007-08. While commercial permittee sales were negatively impacted in 2010-11 by the cold and wet summer weather, purchases rebounded in 2011-12. Overall growth since 2007-08 has also been supported by a combination of industry price increases and 'trading up' by the consumer to higher-priced products.

Fiscal Year	Franchise Purchases*	Commercial Permittee Purchases
2011-12	$54.8 M	$220.1 M
2010-11	$51.3 M	$210.3 M
2009-10	$50.2 M	$215.4 M
2008-09	$45.0 M	$210.7 M
2007-08	$41.4 M	$200.7 M

* Beginning in 2009-10, franchise purchases include Specialty Wine Store Franchise purchases.

Source: SLGA Corporate Services Division

Government Goal: Securing Saskatchewan

SLGA supports Government's goal to secure Saskatchewan as a safe place to live and raise a family where people are confident in their future, ensuring the people of Saskatchewan benefit from the growing economy.

STRATEGY - STRENGTHEN THE SOCIALLY RESPONSIBLE SALE AND DISTRIBUTION OF LIQUOR AND GAMING PRODUCTS IN AN EFFORT TO REDUCE THE ADVERSE CONSEQUENCES OF THESE ACTIVITIES

Key Actions & Results

- Building on SLGA's partnership with Saskatchewan Government Insurance (SGI) and other organizations, SLGA continued to deliver programs to promote awareness and prevention of drinking and driving.
    - SLGA, with SGI, Mothers Against Drunk Driving (MADD), Students Against Drinking and Driving (SADD) and local police services, expanded the Report Impaired Drivers (RID) program to Estevan and Weyburn in September 2011 with a province-wide rollout occurring in November 2011. The RID program encourages people to call 911 if they suspect an impaired driver. In cases where the vehicle cannot be located immediately by police, letters are sent to registered vehicle owners notifying them that a report was made to police.
    - For the third year, SLGA worked with SGI to promote SGI's "Ding in the New Year" initiative. This initiative provides free bus service on New Year's Eve in Regina, Saskatoon, Moose Jaw and Prince Albert.
    - SLGA partnered with MADD to bring MADD's *Damages* video presentation to 20 high schools throughout Saskatchewan. As part of MADD's School Assembly Program, the *Damages* video illustrates how impaired driving can have life-altering consequences. The presentation addresses the issues surrounding binge drinking, impairment caused by smoking cannabis, mixing cannabis and alcohol and accepting rides from alcohol or drug impaired drivers.
- SLGA continues to actively participate on the Inter-Provincial Lottery Corporation Responsible Gaming Sub-Committee that has developed a workplan to research responsible gambling programs with a view to recommend evidence-based initiatives for implementation of consistent strategies across all Canadian gambling jurisdictions. The sub-committee's work progressed throughout 2011-12 and included preparation and finalization of a renewed three-year workplan. Project highlights included:
    - continuing work on development of national responsible gaming best practice standards;
    - starting work on an evaluation of casino self-exclusion programs, beginning with an inter-jurisdictional assessment of approaches, including administration, enrolment, processing and monitoring to begin identifying best practices and gaps;
    - developing an outline and plan for a project to identify best practices and gaps for training offered to front-line staff on player interaction and intervention; and,
    - an evaluation of parent focused youth gambling awareness programming.
- The Saskatchewan Partnership for Responsible Gambling formalized its relationship through the development of terms of reference. A draft inventory of all responsible gambling initiatives currently occurring in Saskatchewan has been compiled and will be finalized early in 2012-13.
- SLGA continued to partner with northern leaders and the Ministries of Justice; Health; First Nations and Métis Relations; and Corrections, Public Safety and Policing to develop strategies aimed at reducing alcohol-related violence in northern Saskatchewan. Plans are in place to meet with the youth council of Ile-a-la-Crosse in early 2012-13 to further explore potential initiatives.

- SLGA works with representatives of the Saskatchewan Hotel and Hospitality Association (SHHA) and the Canadian Restaurant and Foodservices Association (CRFA) to develop and distribute responsible gaming awareness materials to liquor-permitted establishments with VLTs. In addition, the CRFA and SHHA have agreed to help promote responsible use to their membership.
- SLGA provided financial support to the Prince Albert Police Service for the Prince Albert "Responsible Alcohol Strategy" bylaw enforcement initiative to reduce public intoxication and increase safety in the city's downtown core. The program provided additional bylaw resources during the busy summer months and provided two recent graduates of SIAST's Aboriginal Police Preparation program with experience by partnering with bylaw officers and police foot patrols.
- SLGA provided financial support for the introduction of the "Don't Be That Guy" campaign in Saskatoon and Prince Albert to reduce sexual assault due to excessive alcohol consumption.

Performance Measures & Results

Report Impaired Drivers Program

- In 2011-12, municipal police forces reported 252 impaired driving arrests as a result of the RID program.

Prince Albert Police Service Responsible Alcohol Strategy

- The total number of intoxicated persons, mischief, disturbance and drug related calls for service increased by 29 per cent from the previous year, and overall calls increased by 11 per cent. The increased call volume can be attributed to individuals' expectation of a quick response that resulted from greater visibility of enforcement officers. The additional bylaw officers also contributed to the increased call volume because more officers were available to report observed activity to the dispatch centre.
- Compared to the previous year, violent crime and property offences decreased by 30 per cent and overall crime decreased by 24 per cent. Because the increased visibility of officers also increased the number of incidents reported, bylaw or police officers were able to intervene before the unwanted behaviour became a criminal matter.
- In addition to the favourable statistics, a client survey of the downtown business community found the pilot successful in encouraging responsible alcohol use, reducing crime in the downtown core and improving the image of the business community.

Regulatory and Compliance Measures

SLGA's regulatory framework supports the socially responsible sale and distribution of liquor and gaming products and services. SLGA administers and enforces the laws and regulations pertaining to the province's liquor and gaming sectors. SLGA works in collaboration with law enforcement authorities and other regulatory agencies to ensure greater effectiveness and efficiency in monitoring both liquor and gaming activities throughout the province. SLGA also conducts comprehensive site inspections and investigates complaints. All of these functions are designed to ensure the integrity of the liquor and gaming sectors in the province within a legal framework that is both fair and responsible.

- SLGA issued 1,843 commercial liquor permits (including seasonal permits) to hotel taverns, nightclubs, brew pubs, restaurants and a variety of special use premises in accordance with *The Alcohol and Gaming Regulation Act, 1997*. Of these, 441 held an off-sale endorsement.
- Special occasion permits (SOPs) are required for anyone serving alcohol at special events such as weddings, cabarets and fundraisers. There were 16,335 SOPs issued in 2011-12 (excluding extended hour and extended day permits).

- SLGA licenses and regulates charitable forms of gaming including bingo, raffles, breakopen tickets, Texas Hold'em poker and Monte Carlo events, as well as temporary exhibition casinos. A total of 3,482 charitable gaming licences were issued in 2011-12. This number does not include charitable gaming licences that were issued by Indigenous Gaming Regulators (IGR) for on-reserve charitable gaming activity.
- SLGA registers all gaming employees in the province, as well as suppliers of gaming and non-gaming goods and services to the industry. In 2011-12, SLGA registered 3,213 gaming employees and 97 suppliers.
- In 2011-12, SLGA imposed a total of 324 sanctions consisting of 84 liquor-related sanctions, 191 charitable gaming-related sanctions and 49 horse racing sanctions. Sanctions include warnings, suspensions and fines depending upon the violation and past compliance history.
- To ensure compliance with policies and procedures, SLGA conducted 52 audits and reviews of liquor stores, franchises, casinos, charitable gaming organizations and SLGA head office operations in 2011-12. The outcome of one of these audits was the termination of one specialty wine store franchise operating agreement.
- SLGA provides a range of formal consultations and educational workshops to a variety of stakeholders and clients about regulatory compliance standards. These workshops take place in communities across the province and are intended to promote awareness about the laws and regulations governing the liquor and gaming industries in Saskatchewan. In 2011-12, SLGA conducted 248 formal workshops/meetings/consultations.

STRATEGY - PROMOTE ENVIRONMENTAL STEWARDSHIP BY IMPLEMENTING SUSTAINABLE BUSINESS PRACTICES

Key Actions & Results

- In an effort to further SLGA's commitment to environmental stewardship, SLGA continues to look for opportunities to operate in a more environmentally friendly manner.
    - SLGA continues to promote environmental stewardship by making it usual practice when replacing furnaces, condensers, water heaters and lights to use energy efficient, high efficiency furnaces, high SEER condensers, tankless water heaters and CSA approved LED lights and fixtures. SLGA also performs annual maintenance on all doors and lifts to ensure a proper seal exists to limit heat/cooling loss.
    - SLGA implemented a paperless distribution strategy for commercial permittee price lists. This initiative was implemented to improve customer service and has been instrumental in reducing the amount of paper used as well as in reducing labour and postage costs associated with a hard copy mailing process. The number of price lists mailed out every four weeks has been reduced from approximately 1,600 to less than 100. Projected annual cost savings are estimated at $100,000.
    - SLGA introduced video conferencing, reducing meeting related travel time and travel costs.

Government Goal: Promises

SLGA supports Government's goal to keep Government's promises and fulfill the commitments of the election, operating with integrity and transparency, accountable to the people of Saskatchewan.

STRATEGY - SUPPORT AND STRENGTHEN THE COLLABORATIVE PARTNERSHIP BETWEEN SLGA AND FIRST NATIONS

Key Actions & Results

- SLGA continues to take a lead role in maintaining a collaborative relationship with First Nations relative to gaming in Saskatchewan (2010 Mandate Letter).
    - SLGA continued to work with the Federation of Saskatchewan Indian Nations (FSIN) to fulfill commitments under the Gaming Framework Agreement (GFA). The five-year GFA review began in December 2011. Initial meetings between representatives of the Province and the FSIN were held in February 2012 and the review will continue until Summer 2012. Changes to the GFA are dependent upon the parties' ability to reach mutual agreement.
    - Over the course of the year, SLGA has maintained a good working relationship with SIGA's management and Board of Directors, while addressing several challenges. The strength of this relationship is key to SLGA's ability to effectively fulfill its commitments under the agreements it has with the FSIN and SIGA. Significant accomplishments in the past fiscal year include beginning the process to replace the central operating system in SIGA casinos and the successful conclusion of a tax recovery project that resulted in a large GST recovery for SLGA/SIGA.
    - SLGA continued to work collaboratively with IGR to fulfill commitments under the SLGA-IGR Regulatory Agreement. In addition to ongoing informal discussions between officials, SLGA and IGR continue to meet on a regular basis through a Standing Committee. In 2011-12, the Standing Committee met three times to discuss matters of mutual concern respecting charitable gaming regulation.

Performance Measure & Results

SIGA Net Income

This measure reflects the total net income generated by SIGA casinos after deducting operating expenses. As required by section 207 of the *Criminal Code of Canada*, SLGA owns the slot machines located in SIGA casinos. The net income generated by SIGA is distributed according to the revenue sharing formula in the 2002 GFA between the Province and the FSIN.

The General Revenue Fund retains 25 per cent of SIGA's net profits (after defined payments) in support of broader provincial objectives. The remaining 75 per cent is distributed back to First Nations communities via the First Nations Trust (FNT) and Community Development Corporations (CDCs). The FNT supports economic development, social development, justice, health, education, culture and other First Nations initiatives. The CDCs fund economic development, social development, justice, education, recreation, culture, health and other related initiatives among First Nations and non-First Nations organizations in and around the communities where the casinos are located.

Under the GFA, payments are also made from SIGA profits to: IGR ($3.2 million) to support its work in regulating charitable gaming on-reserve; the First Nations Addictions Rehabilitation Foundation ($2.25 million) for problem gambling services; and, to the FSIN ($250,000) to support its efforts to prepare proposals for the federal government regarding on-reserve gaming jurisdiction and for other gaming initiatives ($250,000) including administration of the GFA on behalf of First Nations. These payments are made prior to the previously described profit distribution.

SIGA opened Dakota Dunes Casino in 2007-08 and Living Sky Casino in 2008-09 resulting in the addition of 750 slot machines over two years to the current total of 1,870. The additional slot machines contributed to SIGA's net income growth over the last five years. Net income for SIGA totalled $79.2 million in 2011-12 ($81.6 million prior to the interest rate swap accounting adjustment).

	2007-08	2008-09	2009-10	2010-11	2011-12
SIGA Net Income	$58.1 M	$59.9 M	$65.1 M	$64.4 M	$79.2 M

Source: SLGA Corporate Services Division

STRATEGY - ENSURE CONTINUOUS IMPROVEMENT IN INTERNAL OPERATIONAL EFFICIENCY AND PRODUCTIVITY

Key Actions & Results

- Following the initial Lean process reviews conducted in select areas in 2010-11, SLGA implemented action plans and monitored results in the following areas.

  Special Order Desk

  - The special order desk Lean initiative resulted in policies being established for special order product sourcing as well as the development of customer portfolios, improving special order desk staff's ability to meet customer expectations.
  - Policies and procedures have been standardized and the number of suppliers for sourcing orders has been reduced. The changes implemented have resulted in reduced turnaround time for customer inquiries and decreased duplication of effort. In addition, various system improvement opportunities were captured for the Warehouse Management/Supply Chain system replacement project which supports the special order desk process.

  Beer Ordering

  - The beer ordering Lean initiative identified several improvements for both immediate and future application. To date, several processes and procedures have been standardized to improve accuracy and documentation. The number of unreconciled beer invoices has been reduced by approximately 78 per cent on average and the overall monthly error rate performance of beer product receiving and shipping is less than 1.5 per cent. These benefits will continue to be monitored to ensure the improvements are sustained.
  - In addition to the improvements implemented over the short term, the team identified system improvements that will be considered as part of SLGA's broader information technology plan.

  VLT and Liquor Permits

  - Long-term improvements include a targeted reduction in the turnaround time between application and issuance by more than 60 per cent.
  - Current benefits include: the establishment of a single point of entry for liquor permit applications and VLT applications; fewer applications being submitted without the required information; more timely turnaround in the issuance of regular and interim permits; and, a 50 per cent reduction in the number of liquor permit and VLT site inspections (related to new permits/sites) with estimated productivity gains of $20,000.
- Following determination of the detailed system requirements for the Warehouse Management/ Supply Chain replacement software, SLGA released the RFP for a new system in January 2012. A shortlist of potential vendors was prepared by the project team with vendor selection expected to be completed in June 2012. The implementation phase will begin immediately afterwards.

- In advance of the launch of the Regulatory Compliance application system replacement project, internal reviews of liquor licensing and charitable gaming licensing processes were conducted and a Request for Information was published to gauge availability of commercial off-the-shelf software that can address regulatory compliance needs. A project manager was designated and internal resources committed to the project development phase on a full-time basis effective March 1, 2012.
- SLGA expanded its Lean business process review to additional areas of the organization.

  Small Raffle Licence Application

  - The charitable gaming small raffle licence application Lean initiative identified seven opportunities for improvement. When licence fee payment is received with the application, the turnaround time for paper and online small raffle applications has improved by 71 per cent and 68 per cent respectively.

  Charitable Gaming Grant Program

  - The charitable gaming grant program Lean initiative identified several improvement opportunities. Of the improvements identified, 75 per cent support improving the process for those grant payments of $500 or less, which represent 65 per cent of the total grants paid to charities. A pilot was launched to run shorter grant payment processes which resulted in a reduction in the turnaround time from an average of 56 days to 18 days for these payments. This initiative has improved the timeliness for which charities can access funds through this grant program.

  Rural Franchise Management

  - The rural franchise management Lean initiative identified 35 improvement opportunities. The value stream mapping event clarified the roles and responsibilities of the specific areas involved in transferring a franchise to a new business owner. Once recommendations are fully implemented, the response time for a change in business owner is targeted to improve by 50 per cent.
- Ongoing discussions continued between SLGA, First Nations and Métis Relations, Tourism, Parks, Culture and Sport and SaskGaming regarding the potential consolidation and streamlining of gaming governance in Saskatchewan (2010 Mandate Letter).

Performance Measures & Results

Store Operating Costs as a Per Cent of Store Sales

This measure demonstrates SLGA's efforts to maximize liquor store revenues by using the least amount of operational resources (e.g., labour, capital and equipment). Although this indicator has increased in each of the last three years, the increases are attributed to pension liability adjustments that occurred in 2008-09, 2010-11 and 2011-12. Relative to 2007-08, this efficiency measure indicates significant improvement in the efficiency of store operations with store costs continuing to grow at a lesser rate than the increase in liquor sales.

	2007-08	2008-09	2009-10	2010-11	2011-12
Store Operating Costs as % of Store Sales	12.6%	10.6%*	11.1%	11.7%*	11.9%*

* In 2008-09, the Liquor Board Superannuation Plan changed its long-term economic discount rate assumption because of the economic market conditions. This change resulted in a $3.4 million reduction in store labour related pension costs. In 2010-11, and again in 2011-12, the liability associated with the Liquor Board Superannuation Plan was increased due to a decline in the number of plan contributors and an increase in the projected life span of plan recipients. The pension liability adjustment resulted in an increase in store pension costs of $3.9 million in 2010-11 and a further $1.5 million in 2011-12.

Source: SLGA Corporate Services Division

Warehouse Activity

SLGA's distribution centre, located in Regina, processed 19,497 orders in 2011-12. This equates to an average of 139 cases of product per order for stores and 34 cases per order for franchises. This represents an annual flow of approximately 2.0 million cases of beverage alcohol that are received, stored and ultimately shipped across the province. In 2011-12, 101 cases were handled per person hour which is up from 98 in 2010-11. As indicated below, the number of cases handled at the warehouse has been increasing each year during the past four years.

	2007-08	2008-09	2009-10	2010-11	2011-12
Total cases received, stored and shipped	1.63 M	1.69 M	1.83 M	1.85 M	2.0 M
Cases handled per person hour	98	98	95	98	101

Licensing, Regulating and Support Expenses as a Per Cent of Revenue

This efficiency measure depicts the overall cost of generating revenue. The measure reflects SLGA's efforts to optimize revenue and incorporates the expenditures that SLGA requires to meet its operational and regulatory roles. The measure is an indicator of how efficiently SLGA conducts its internal operations and uses public resources.

For the year ending March 31, 2012, SLGA's licensing, regulating and support expenses as a percentage of revenue was 3.2 per cent, down from 3.3 per cent in 2010-11. This ratio shows improvement relative to last year even with a one-time pension adjustment of $0.5 million in 2011-12 (increase in the Liquor Board Superannuation Plan liability).

	2007-08	2008-09	2009-10	2010-11	2011-12
Licensing, Regulation & Support Expenses* as % of Revenue	3.7%	3.1%**	3.5%	3.3%**	3.2%**

* Grant expenses are not linked to the overall cost of generating revenue in the licensing and support function of SLGA and as such are not included in this measure.

** In 2008-09, the Liquor Board Superannuation Plan changed its long-term economic discount rate assumption because of the economic market conditions. This change resulted in a $1.1 million reduction in store labour related pension costs. In 2010-11, and again in 2011-12, the liability associated with the Liquor Board Superannuation Plan was increased due to a decline in the number of plan contributors and an increase in the projected life span of plan recipients. The pension liability adjustment resulted in an increase in head office pension costs of $1.3 million in 2010-11 and a further $0.5 million in 2011-12.

Source: SLGA Corporate Services Division

VLT Net Income as a Per Cent of VLT Revenue

In 2011-12, VLT activity generated 81 cents in net income to SLGA for each dollar of VLT revenue. Prior to 2008-09, this operating ratio had been relatively constant at 75 cents per dollar of VLT revenue; however, SLGA's VLT inventory became fully amortized in 2008-09, significantly reducing annual operating expenses. The slight increase in 2011-12 corresponds to an increase in VLT revenue.

	2007-08	2008-09	2009-10	2010-11	2011-12
VLT Net Income as % of VLT Revenue	74.9%	81.2%	81.1%	80.8%	81.0%

Source: SLGA Corporate Services Division

SIGA Net Income as a Per Cent of SIGA Net Revenue

This measure indicates that SIGA earned almost 30 cents on each dollar of revenue it generated. The decline in this ratio between 2006-07 and 2010-11 reflected the increase in expenditures associated with the opening of the Dakota Dunes and Living Sky casinos as well as construction costs associated with the expansion and relocation of the Painted Hand Casino in Yorkton. The increase in 2011-12 reflects an increase in both SIGA gaming revenue and net income.

	2007-08	2008-09	2009-10	2010-11	2011-12
SIGA Net Income as a % of SIGA Revenue	31.5%	26.0%	26.7%	25.8%	29.7%

Source: SLGA Corporate Services Division

Marginal Return on Expenses (MRE)

The MRE is intended to demonstrate SLGA's overall return on investment for the expenditures it makes. The measure expresses a ratio between the change in net income compared to the change in total expenses where any outcome greater than zero is a positive outcome. This measure reflects the principle that while operating expenses may increase, this growth in expenditures often translates into an increase in net income.

Although overall expenses declined in 2011-12, net income grew by $21.0 million. The large magnitude of the MRE resulted from the significant increase in SIGA net income that occurred without a corresponding increase in SLGA operating expenses. The negative outcome in 2009-10 can be explained by the one-time adjustment of $4.5 million (reduction in the Liquor Board Superannuation Plan liability) that reduced expenses in 2008-09. Without this one-time expense reduction in 2008-09, growth in net income would have occurred in 2009-10, resulting in a positive MRE ratio. SLGA has some influence over aspects of this measure, especially regarding operating expenses and policy development aimed at growing net income over time. On average, during the five year period, this measure indicates that increased expenses and capital investment have translated into increased net income.

	2007-08	2008-09	2009-10	2010-11	2011-12
MRE	0.49	2.23	(0.11)	1.39	20.79

Source: SLGA Corporate Services Division

STRATEGY - PROVIDE RESPONSIVE AND HIGH QUALITY SERVICES TO CUSTOMERS AND STAKEHOLDERS

Key Actions & Results

- A retail store customer satisfaction survey was conducted during February and March 2011. The detailed results of the 2010-11 customer satisfaction survey were analyzed early in the 2011-12 fiscal year and communicated to store managers. Areas of importance were identified as product selection, friendliness of staff, helpfulness of staff, responsiveness of staff to customer questions, consistency of service, keeping products well stocked and store cleanliness. These specific store and staff attributes are being further defined and evaluated as part of SLGA's mystery shopper pilot program. (2010 Mandate Letter)
- A RFP for mystery shopper services was issued in July 2011 and the contract was awarded to Spot Check Services Ltd. (SCS), a Regina-based firm. Following the development of an audit checklist, the first phase of the pilot project began in January 2012. Phase one shops were completed in April 2012 and will be followed by another round of shops beginning in the summer. Analysis of the phase one shops will establish baseline benchmarks against which the second phase will be compared. The intent is to identify areas of customer service that can be improved upon to increase overall customer satisfaction (2010 Mandate Letter).

- In an effort to improve the level of responsiveness and quality of service customers and stakeholders receive, SLGA continues to require mandatory Customer Service Excellence training for all employees, as well as an additional session for supervisors. Seven sessions were held in 2011-12 with 118 employees and supervisors attending. As of March 31, 2012, 910 employees and 182 supervisors have attended customer service training since 2009-10.
- Prior to finalization, SLGA's Customer Service Excellence Strategy needs final input from third party stakeholders regarding customer service levels and performance metrics. Stakeholder engagement will occur over the next fiscal year.
- Gift cards were introduced in SLGA liquor stores in August 2011. The decision to replace gift certificates with gift cards has been well received by SLGA customers. The number and dollar value of gift cards sold from August 2011 through March 2012 exceeded the sale of gift certificates during the same period the previous year by 196 per cent and 163 per cent, respectively.

Performance Measures & Results

Product Offerings

- As of March 31, 2012, SLGA had 2,262 product listings, which includes general listings, specialty listings and domestic and imported beer. Another 1,614 special order products were made available through the two specialty wine store franchises.

Customer Satisfaction

The next table illustrates historical retail store customer satisfaction survey results. Historically, the survey had been conducted via telephone interview. However, given trends in the market research industry including declining response rates via telephone and the increased prevalence of cell phone only households, SLGA decided to conduct this survey using an online research panel and via telephone. The tandem research study was conducted given that there can be differences in ratings on satisfaction questions between telephone and online surveying techniques. Specifically, the same survey was administered via both methods during the same time to enable direct telephone to telephone comparisons with the 2007-08 results as well as a comparison of the findings between telephone (700 respondents) and online (1,502 respondents) in 2010-11.

The survey results indicate a high level of customer satisfaction with retail liquor store service and that customer service is either meeting or exceeding customer expectations. The comparison of the phone survey results for 2010-11 indicate that customer satisfaction increased in 2010-11 relative to 2007-08. Similarly, the percentage of customers that indicated service met or exceeded their expectations increased relative to 2007-08.

Lower satisfaction ratings were received among online respondents. Due to mode bias and difference in sampling methodology, the online results are not directly comparable to historical phone survey results but can be used as a benchmark moving forward. Research experts explain lower online satisfaction results by the fact that unintended pressure is placed on respondents to offer a positive or socially acceptable response to a telephone interviewer while such pressure is not observed in online research. In addition to mode bias, telephone and online respondents (made up of individuals that have registered with research firms to participate in surveys) differ somewhat demographically, potentially contributing to differences in satisfaction levels and shopping patterns. For example, relative to the 2010-11 phone respondents, the online respondents tended to be younger and more educated and had a higher percentage of urban respondents.

However, only age was found to be a statistically significant factor in overall satisfaction.

Customer Satisfaction Survey	2002-03 (phone)	2004-05 (phone)	2007-08 (phone)	2010-11 (phone)	2010-11 (online)
Satisfied with Customer Service	92%	91%	88%	92%	83%
Customer Service Meets or Exceeds Expectations	97%	96%	95%	97%	95%

Note: 2002-03 through 2007-08 survey results are considered accurate to within plus or minus 2.5 per cent at a 95 per cent confidence level. The 2010-11 phone survey results are considered accurate to within plus or minus 3.7 per cent. Online survey results were derived by a new sampling methodology (non-probability proportional sampling technique); therefore, the standard margin of error calculation is not applicable for the online study.

Source: SLGA Policy and Planning Division

Representative Workforce

Having a workforce that is representative of the population it serves is a key element to excelling in customer service. SLGA reviews its representative workforce strategy on an ongoing basis and strives to eliminate systemic barriers to recruitment and retention. SLGA has set the Saskatchewan Human Rights Commission's (SHRC) equity group employment targets as a long-term goal. In 2011, SHRC targets are 47 per cent of employees at all levels are female; 13.1 per cent are Aboriginal people; 9.7 per cent are persons with disabilities; and, 3.8 per cent are visible minorities. The following table depicts the employment status of the four equity groups within SLGA. In 2011-12, SLGA showed improvement in the workforce representation of visible minorities and persons with disabilities. Representation of Aboriginal people declined slightly in 2011-12 due to an overall reduction in part-time positions and part-time hiring in the retail store system. SLGA will continue to work toward the SHRC employment goals over the long term.

Equity Group	2007-08	2008-09	2009-10	2010-11	2011-12
Aboriginal People	5.2%	4.3%	6.3%	6.9%	6.1%
Women (Overall)	61.8%	61.4%	62.7%	62.1%	62.6%
Persons with Disabilities	2.7%	1.9%	3.6%	3.6%	4.2%
Visible Minority Persons	2.7%	2.4%	2.8%	3.2%	3.4%

Source: SLGA Human Resources Division

Financial Overview

The primary indicator of SLGA's financial success is SLGA's overall net income. SLGA's net income reflects the total net revenue generated by the province's liquor industry and the majority of the commercial gaming industry minus operating expenses, including associated regulatory and compliance costs.

Net income for 2011-12 was $463.5 million, $41.5 million above SLGA's budget projection of $422 million. VLT net income was forecast to decline but instead rebounded slightly, resulting in VLT net income exceeding budget projections by $16.3 million. SIGA net income was above budget projections by $15.4 million and net income from liquor operations exceeded budget expectations by $6.2 million. These increases relative to budget were supplemented by $3.6 million in reduced licensing, regulation and support expenses.

SLGA Net Income

Historically, SLGA has demonstrated a steady increase in net income. This is a critical outcome as SLGA's net income is essential to providing sustainable funding in support of Government programs and services.

Relative to 2010-11, SLGA net income increased by $21.0 million. The net impact was driven by a $14.7 million increase in SIGA net income, a $3.4 million increase in net income from liquor operations and a $2.9 million increase in VLT net income.

	2007-08	2008-09	2009-10	2010-11	2011-12
SLGA Net Income	$398.0 M	$435.0 M	$433.1 M	$442.5 M	$463.5 M

Source: SLGA Corporate Services Division

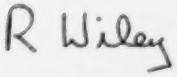
Management's Report

The accompanying financial statements, and related financial information throughout the Annual Report, have been prepared by management using International Financial Reporting Standards. Management is responsible for the integrity, objectivity and reliability of the financial statements.

SLGA's management has established and maintains a system of internal controls that provides reasonable assurance that transactions are recorded and executed in compliance with legislation and authority; assets are safeguarded; there is an effective segregation of duties and responsibilities; and, reliable financial records are maintained. An auditing function exists within SLGA, which objectively assesses the effectiveness of internal controls.

The Provincial Auditor has examined SLGA's financial statements. The Auditor's Report to the Members of the Legislative Assembly of Saskatchewan expresses an independent opinion on the fairness of presentation of SLGA's financial statements in accordance with International Financial Reporting Standards.

Barry C. Lacey, CA, CMA
President & CEO



Rod Wiley, CMA FCMA
Vice-President and CFO

Kent Paul, CA
Director, Financial Services

Regina, Saskatchewan
June 7, 2012

Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Saskatchewan Liquor and Gaming Authority, which comprise the statement of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

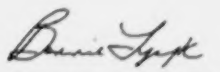
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Saskatchewan Liquor and Gaming Authority as at March 31, 2012, March 31, 2011 and April 1, 2010, and the results of its operations and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.



Regina, Saskatchewan
June 7, 2012

Bonnie Lysyk, MBA, CA
Provincial Auditor

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at March 31

	Notes	2012 (000's)	2011 (000's)	April 1, 2010 (000's)
ASSETS				
Current assets:				
Cash		$ 1,897	$ 1,590	$ 2,409
Due from General Revenue Fund	4	41,176	43,215	42,492
Trade and other receivables	9	62,515	49,678	53,203
Prepaid expenses		828	1,025	729
Inventory	3(d) & 6	27,184	27,602	28,620
Total current assets		133,600	123,110	127,453
Non-current assets:				
Property, plant and equipment	7 & 10	29,307	34,704	43,038
Intangible assets	8	4,954	4,793	5,036
Total non-current assets		34,261	39,497	48,074
Total assets		167,861	162,607	175,527
LIABILITIES				
Current Liabilities:				
Trade and other payables		23,856	21,350	27,391
Payable to the General Revenue Fund	5	95,813	98,303	116,121
Goods and Services Tax payable	10	1,735	1,359	862
Provisions	19	1,075	1,075	1,075
Total current liabilities		122,479	122,087	145,449
Non-current liabilities				
Long-term Provisions	19	1,690	1,800	1,800
Post employment benefits	11	51,329	43,942	45,233
Total non-current liabilities		53,019	45,742	47,033
Total liabilities		175,498	167,829	192,482
Equity				
Retained earnings (deficit) (Statement 3)		(7,637)	(5,222)	(16,955)
Total Equity		$ (7,637)	$ (5,222)	$ (16,955)
Total Liabilities & Equity		$ 167,861	$ 162,607	$ 175,527

Commitments (Note 13)
Contingencies (Note 18)

(See the accompanying notes to the financial statements)

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended March 31

	Notes	2012 Budget (000's)	2012 Actual (000's)	2011 Actual (000's)
OPERATING				
Revenues:				
Liquor sales	**14**	$ 549,454	$ 571,844	$ 550,472
VLT		211,713	226,425	223,265
Slot machines	**3(b) & 12**	228,932	238,474	226,896
Licence, permit, and other income		3,124	3,389	3,548
		993,223	1,040,132	1,004,181
Cost of sales:				
Cost of liquor		271,173	282,428	268,929
VLT site commissions	**3(c)**	31,757	34,354	33,890
		302,930	316,782	302,819
Gross profit on sales		690,293	723,350	701,362
Expenses (Schedule 1):				
VLT, liquor and other gaming		103,161	100,658	90,218
Slot machines expense		143,453	140,468	140,942
Other	**12**	21,679	16,365	21,860
Total expenses		268,293	257,491	253,020
Operating Income		422,000	465,859	448,342
FINANCING				
Gains (losses) on disposals of non-current assets		---	132	109
Financing Income		---	132	109
Net Income		422,000	465,991	448,451
Unrealized gain (loss) in interest rate swaps	**12**	---	(2,489)	345
Total Comprehensive Income		$ 422,000	$ 463,502	$ 448,796

(See the accompanying notes to the financial statements)

Statement 3

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
STATEMENT OF CHANGES IN EQUITY
For the Year Ended March 31

		Total (000's)
Equity		
Balance April 1, 2010 (to statement 1)	$	(16,955)
Total Comprehensive Income		448,796
Dividends		(437,063)
Balance March 31, 2011 (to statement 1)	$	(5,222)
Total Comprehensive Income		463,502
Dividends		(465,917)
Balance March 31, 2012 (to statement 1)	$	(7,637)

(See the accompanying notes to the financial statements)

Statement 4

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2012 (000's)	2011 (000's)
BUSINESS		
Operating		
Receipts from customers	$ 1,056,862	$ 1,044,004
Interest received	204	191
Payments made to suppliers and other	(495,043)	(499,758)
Payments made to employees	(58,172)	(55,230)
Payments made to grant recipients	(9,611)	(10,226)
Payment of Goods and Services Tax	(19,396)	(18,682)
Net cash provided by (used in) operating activities	474,844	460,299
Investing		
Purchase of property, plant and equipment	(6,441)	(4,171)
Purchase of intangible assets	(1,860)	(1,452)
Disposition of property, plant and equipment	132	109
Net cash provided by (used in) investing activities	(8,169)	(5,514)
Net cash provided by BUSINESS activities	466,675	454,785
FINANCING		
Cash Deposited in General Revenue Fund	(468,407)	(454,881)
Net cash provided (used in) FINANCING activities	(468,407)	(454,881)
Net (decrease) increase in cash position	(1,732)	(96)
Cash position, beginning of year	44,805	44,901
Cash position, end of year	$ 43,073	$ 44,805
Cash position consists of:		
Cash	$ 1,897	$ 1,590
Due from General Revenue Fund	41,176	43,215
	$ 43,073	$ 44,805

(See the accompanying notes to the financial statements)

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012

1. Description of Business

The Saskatchewan Liquor and Gaming Authority (SLGA) is a corporation domiciled in Canada. The address of SLGA's registered office and principal place of business is 2500 Victoria Avenue, Regina, SK, S4P 3M3.

The Saskatchewan Liquor and Gaming Authority (SLGA) operates under *The Alcohol and Gaming Regulation Act, 1997*. SLGA's mandate is to support, develop and regulate the Saskatchewan liquor and gaming industries and to maximize public benefit through high quality services and products.

SLGA operates retail liquor stores and video lottery terminals. SLGA conducts and manages the breakopen vending machine program in the Province. It also owns and manages the slot machines at the Saskatchewan Indian Gaming Authority's (SIGA) casinos. Revenue from slot machines at SIGA's casinos and related expenses are included in these statements.

SLGA operates as a Treasury Board Crown Corporation under the direction of the Government of Saskatchewan. The financial results of SLGA are included in the summary financial statements of the Province of Saskatchewan.

2. Basis of Preparation

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These are SLGA's first IFRS financial statements and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. SLGA's board of directors approved these statements on June 7, 2012.

An explanation of how the transition to IFRS have affected the reported financial position, financial performance and cash flows of SLGA is provided in note 24.

b) Basis of measurement

The financial statements have been prepared on the historical cost. Historical cost is generally based on fair value of the consideration given in exchange for assets.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is SLGA's functional currency.

d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Useful lives of property, plant, and equipment (note 3(e) and note 7).
- Measurement of defined benefit obligations (note 11(ii))
- Provisions (note 19)
- Cash generating units (CGUs) for SLGA are SLGA retail operations and SLGA gaming operations.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at April 1, 2010 for the purposes of the transition to IFRS. The accounting policies have been applied consistently by SLGA.

(a) Revenue

Liquor Sales

Sales are recorded net of returns, container deposits, Goods and Services Tax, Liquor Consumption Tax and discounts.

Licence Fees

Liquor and gaming licence fees are recorded when the licence is approved. Exhibition casino licence fees are based on the net revenue generated by the exhibition casino. SLGA records these fees as the exhibition casino generates net revenue.

Video Lottery Terminals (VLT)

Revenue is recorded net of prize payouts.

Slot Machines

Revenues from casino slot machines are recorded net of prize payouts. Slot revenues are net of accruals for anticipated payouts of progressive jackpots and promotional allowances.

(b) Promotional Allowances

SIGA offers a customer loyalty program to its patrons. As part of the program, club members accumulate points based on amounts wagered and can redeem their points for cash. The cash value of the points accumulated is recorded as a promotional allowance. A liability is accrued by SIGA for the estimated cost of the earned points balance at the end of the period under the loyalty program using a historical weighted average of expected point redemption. If the patron chooses to redeem their points for a voucher, the promotion is part of a current gaming transaction and the patron can redeem the promotional voucher for free or discounted goods or services. The revenue is determined by the fair value of the undelivered goods and services related to a customer loyalty program is deferred until the promotional consideration is provided under IFRIC 13.

(c) VLT Site Commission

Establishments where VLTs are located are entitled to a commission based on 15% of the VLT revenue earned. The commission is recorded as the VLT revenue is earned.

(d) Inventories

Inventories of wines, coolers, spirits, beer and gaming machine parts are valued at the lower of average cost and net realizable value.

Cost for liquor inventories is determined using the weighted average cost method. Cost for gaming machine parts is determined on a first-in, first-out basis. Inventory cost includes the costs of purchase plus other costs, such as excise duties and taxes and transportation that are directly incurred to bring inventories to their present location. Previous write-downs of inventories to net realizable values are reversed when inventory values increase.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item, that are significant in comparison to the whole, of property, plant, and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant, and equipment.

Property, plant and equipment are depreciated commencing in the year in which these assets are available for use on a straight-line basis at rates designed to allocate the cost of these assets over their estimated useful lives. Rates are as follows:

Buildings	5 – 40 years
Furniture & equipment	3 – 7 years
VLT and slot machines	5 years
Breakopen vending machines	3 – 7 years

Leasehold improvements are amortized over the lesser of the life of the asset or the term of the lease.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted as necessary.

(f) Intangible Assets

Intangible assets consist of software and are carried at cost less accumulated amortization and accumulated impairment losses. Depreciation is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Software	3 – 7 years

(g) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, the loss event has occurred after the initial recognition, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of SLGA's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to SLGA. All other leases are classified as operating leases.

As at March 31, 2012, SLGA does not have any finance leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(i) Provisions

Provisions are recognized when SLGA has a present obligation (legal or constructive) as a result of a past event, it is probable that SLGA will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks, uncertainties and timing surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(j) Foreign Currency

Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rates. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. Translation gains and losses on foreign currency denominated monetary items are taken into income in the current year.

(k) Employee Benefits

(i) Defined benefit plan

A defined benefit plan is a post-employment plan other than a defined contribution plan. Total cost of the pension benefits earned by employees, who are members of SLGA's defined benefit plan (closed to new members since 1977), is determined using the projected unit credit method prorated on service. The amount of the expense reflects management's best estimate of the plan's expected investment performance, salary escalation, mortality of members, terminations, and the ages at which members will retire and post retirement increases, based upon the Consumer Price Index, as required by *The Superannuation (Supplementary Provisions) Act.*

The discount rate used to determine the accrued benefit obligation is determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and the amount of expected benefit payments. Pension plan assets are valued at fair value for the purposes of calculating the expected return on plan assets. The net actuarial gain (loss) and plan amendments are recognized in the year they arise.

(ii) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognized as an employee benefit expense in the statement of comprehensive income when services are rendered by employees.

Employees hired after 1977 are members of a defined contribution pension plan. SLGA expenses contributions it is required to make for current service of those employees. SLGA's liability for these employees is limited to the required employer's contributions.

(iii) Other employee benefits

Long service gratuity is a benefit paid to employees over 50 upon retirement. The gratuity is calculated as one half of a day's pay for every year of employment with SLGA upon retirement. A provision for long service gratuity is included in comprehensive income.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(l) Grants

Grants are recognized when approved and eligibility criteria, if any, are met.

(m) Financial Instruments

(i) Non-derivative financial assets and liabilities

SLGA classifies its financial instruments into one of the following categories: fair value through profit or loss; loans and receivables; and other liabilities. All financial instruments are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below.

Cash is classified as fair value through profit or loss and is recorded at fair value. Cash denominated in foreign currency is translated at the foreign exchange rate in effect at year end.

Accounts receivable are classified as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized costs using the effective interest method, less any impairment losses.

SLGA has the following non-derivative financial liabilities which are classified as other liabilities: trade and other payables, payable to the General Revenue Fund, and goods and services tax payable. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

SLGA derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by SLGA is recognized as a separate asset or liability. SLGA derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, SLGA has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Derivatives

Pursuant to the Casino Operating Agreement (Note 12), SLGA authorized SIGA to enter into long-term debt arrangements. It also authorized SIGA to enter into interest rate swaps in order for SIGA to manage the interest rate exposure on its long-term debt. SLGA's exposure to the interest rate risk arising from this long-term debt, the interest rate swap arrangements, and SIGA's other financial instruments is disclosed in Note 21. Changes in the fair value of the interest rate swaps are recorded as an unrealized gain or loss in the year they occur.

(iii) Embedded derivatives

Derivatives may be embedded in other host instruments and are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in net income.

SLGA has not identified any material embedded derivatives in any of its financial instruments that are required to be separately valued.

(n) Finance income

Finance income comprises of gains/losses on sale of non-current assets.

(o) New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for annual accounting periods beginning after December 31, 2011 or later periods. SLGA is assessing the impact of these pronouncements on its results and financial position. These include:

- IFRS 9 Financial Instruments – establishes principles for the financial reporting of financial assets.
- IFRS 10 Consolidated financial statements – establishes principles for the consolidation of financial statements.
- IFRS 11 Joint arrangements – establishes principles for accounting for joint arrangements.
- IFRS 12 Disclosures of interests in other entities – establishes principles for accounting for interests separate entities.
- IFRS 13 Fair value measurement – establishes principles for fair value measurement.
- IAS 19 Employee Benefits

4. Due from General Revenue Fund

Most of SLGA's bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. During the year, the General Revenue Fund did not pay interest on SLGA's bank accounts.

5. Disposition of Retained Earnings

Subsection 182(5) of *The Alcohol and Gaming Regulation Act, 1997* (Act) allows SLGA to provide interest free advances to the Minister of Finance for deposits in the General Revenue Fund (GRF) until the Treasury Board determines the disposition of SLGA's retained earnings. Under subsection 182(1) of the Act, the Treasury Board may, at any time, direct that all or any portion of SLGA's retained earnings be transferred to the GRF. The Treasury Board has directed SLGA to transfer $465,917 thousand (2011 - $437,063 thousand) to the GRF under subsection 182(1) of the Act. At March 31, amounts payable to GRF were determined as follows:

	2012 (000's)	2011 (000's)	2010 (000's)
Payable to GRF at beginning of year	$ (98,303)	$ (116,121)	$ (113,709)
Deposits during the year	468,407	454,881	427,512
Transfer to GRF	(465,917)	(437,063)	(429,924)
Payable to GRF at end of year	$ (95,813)	$ (98,303)	$ (116,121)

6. Inventories

	2012 (000's)	2011 (000's)	2010 (000's)
Wines, coolers and spirits in stores	$ 3,380	$ 5,371	$ 7,607
Wines, coolers and spirits in warehouse	11,324	10,844	11,392
Beer in stores	8,717	7,348	5,844
Gaming machine parts	3,763	4,039	3,777
	$ 27,184	$ 27,602	$ 28,620

The cost of liquor and gaming machine parts inventories recognized as an expense during the year ending March 31, 2012 was $282,421 thousand and $527 thousand respectively. During the year, SLGA had no write-downs of inventory below cost and no reversals of inventories previously written down. As of March 31, 2012 there was no amount of inventory pledged as security.

7. Property, Plant and Equipment

(000's)	Land	Buildings	Slot Machines	VLT	Furniture and Equipment	Breakopen Vending Machines	Leasehold Improvements	Total
Cost								
Balance, April 1, 2010	$ 2,292	$ 30,145	$ 54,792	$ 70,345	$ 17,596	$ 2,979	$ 8,393	$ 186,542
Additions	---	20	1,823	---	2,048	---	30	3,921
Disposals/ retirements	---	---	(1,696)	(119)	(1,245)	---	(6)	(3,066)
Adjustments	---	1	476	2	(245)	---	11	245
Balance, March 31, 2011	$ 2,292	$ 30,166	$ 55,395	$ 70,228	$ 18,154	$ 2,979	$ 8,428	$ 187,642
Additions	---	30	3,210	---	473	---	56	3,769
Disposals/ Retirements	---	---	(2,418)	(283)	(760)	---	---	(3,461)
Adjustments	50	---	418	12	2,133	---	59	2,672
Balance, March 31, 2012	$ 2,342	$ 30,196	$ 56,605	$ 69,957	$ 20,000	$ 2,979	$ 8,543	$ 190,622
Accumulated Depreciation								
Balance, April 1, 2010	$ ---	$ 17,696	$ 30,993	$ 69,715	$ 14,721	$ 2,976	$ 7,403	$ 143,504
Depreciation Expense	---	1,046	9,447	300	1,302	---	374	12,469
Disposals/retirements	---	---	(1,686)	(115)	(1,228)	---	(6)	(3,035)
Balance, March 31, 2011	$ ---	$ 18,742	$ 38,754	$ 69,900	$ 14,795	$ 2,976	$ 7,771	$ 152,938
Depreciation Expense	---	1,019	8,997	269	1,262	---	268	11,815
Disposals/retirements	---	---	(2,409)	(282)	(747)	---	---	(3,438)
Balance, March 31, 2012	$ ---	$ 19,761	$ 45,342	$ 69,887	$ 15,310	$ 2,976	$ 8,039	$ 161,315
Net Book Value								
Balance April 1, 2010	$ 2,292	$ 12,449	$ 23,799	$ 630	$ 2,875	$ 3	$ 990	$ 43,038
Balance, March 31, 2011	$ 2,292	$ 11,424	$ 16,641	$ 328	$ 3,359	$ 3	$ 657	$ 34,704
Balance, March 31, 2012	$ 2,342	$ 10,435	$ 11,263	$ 70	$ 4,690	$ 3	$ 504	$ 29,307

8. Intangible Assets

(000's)	Software	Total
Cost		
Balance, April 1, 2010	$ 19,709	$ 19,709
Additions	656	656
Disposals/retirements	---	---
Adjustments	791	791
Balance, March 31, 2011	$ 21,156	$ 21,156
Additions	438	438
Disposals/retirements	(2,188)	(2,188)
Adjustments	1,422	1,422
Balance, March 31, 2012	$ 20,828	$ 20,828
Accumulated depreciation		
Balance, April 1, 2010	$ 14,673	$ 14,673
Depreciation Expense	1,690	1,690
Disposals/retirements	---	---
Balance, March 31, 2011	$ 16,363	$ 16,363
Depreciation Expense	1,670	1,670
Disposals/retirements	(2,159)	(2,159)
Balance, March 31, 2012	$ 15,874	$ 15,874
Net Book Value		
Balance, April 1, 2010	$ 5,036	$ 5,036
Balance, March 31, 2011	$ 4,793	$ 4,793
Balance, March 31, 2012	$ 4,954	$ 4,954

9. Trade and Other Receivables

	2012 (000's)	2011 (000's)	2010 (000's)
Slot machines receivable – SIGA	$ 57,434	$ 46,276	$ 49,845
VLT receivable	3,769	2,347	1,787
Other	1,312	1,055	1,571
	$ 62,515	$ 49,678	$ 53,203

10. Goods and Services Tax (GST)/Harmonized Sales Tax (HST)

SLGA is on the prescribed list of lottery corporations pursuant to Section 188 of the Federal *Excise Tax Act*. In lieu of collecting GST on VLT and slot revenue at the retail level, SLGA calculates and remits GST according to a formula prescribed by the Canada Revenue Agency.

The formula required SLGA to pay 10% on the purchase of taxable goods and services related to gaming programs but only 5% on VLT site contractor commissions.

The GST paid on property, plant and equipment for gaming is set up as part of the cost of the asset and is amortized on a straight-line basis over the useful life of the property, plant and equipment.

SLGA also pays GST/HST to the Canada Revenue Agency and claims input tax credits on all its liquor and other taxable purchases.

11. Post Employment Benefits

SLGA sponsors a defined benefit plan and participates in a defined contribution plan covering substantially all of its employees.

(i) Defined contribution plan

The defined contribution plan is called the Public Employees Pension Plan (PEPP). SLGA is required to contribute a specified percentage of payroll costs to PEPP to fund the benefits. The only obligation of SLGA with respect to PEPP is to make the specified contributions. During the year, SLGA paid PEPP and expensed its required contributions of $2,824 thousand (2011 - $2,687 thousand).

(ii) Defined benefit plan

The Liquor Board Superannuation Commission administers the defined benefit plan, Liquor Board Superannuation Plan (Plan), for SLGA. The Plan provides pensions calculated at 2% of a member's average salary for the five years of highest salary, multiplied by the number of years of service to a maximum of 35. This Plan has been closed to new members since 1977.

AON Hewitt performed the valuation of the Plan as at September 30, 2011 and extrapolated the valuation to March 31, 2012. The accrued benefit obligation is based on a number of assumptions about future events including: discount rate, rate of salary increases, mortality, retirement rates, and inflation. The following significant assumptions were adopted in measuring the accrued benefit obligation:

	2012	2011
Expected long-term rate of return on plan assets	6.00%	6.25%
Discount Rate	4.10%	5.10%
Salary increases	3.50%	3.50%
Indexing increases to pensions as % of Consumer Price Index	70%	70%
Expected average remaining service life	0.2 years	1.0 years

SLGA's pension costs are included in salary, wages, and benefits on Schedule 1.

	2012 (000's)	2011 (000's)
Current service cost – defined benefit plan	$ 124	$ 216
Current service cost – defined contribution plan	2,824	2,687
Interest cost	2,278	2,717
Expected return on pension plan assets	(614)	(587)
Recognition of actuarial losses	7,825	3,042
	$ 12,437	$ 8,075

Information about SLGA's defined benefit plan is as follows:

	2012 (000's)	2011 (000's)
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	$ 57,434	$ 54,816
Current service cost – employer	124	216
Current service cost – employee	30	59
Interest cost	2,278	2,717
Benefits paid	(4,030)	(3,646)
Experience (gain) loss	6,982	3,272
	$ 62,818	$ 57,434
Plan Assets		
Fair value of plan assets, beginning of year	$ 10,033	$ 9,583
Actual return on plan assets	(229)	818
Employer contributions	4,405	3,219
Employee contributions	30	59
Benefits paid	(4,030)	(3,646)
Fair value of plan assets, end of year	$ 10,209	$ 10,033
Funded status	$ 52,609	$ 47,401
Additional Expense Realized	(1,280)	(3,459)
Accrued pension liability	$ 51,329	$ 43,942

The plan holds all of its assets in various pooled funds. The Plan's holdings consist of 20.7% (2011 – 23.6%) in a Canadian equity pooled fund, 29.1% (2011 – 29.3%) in foreign equity pooled funds, 41.9% (2011 – 41.7%) in a bond and debenture pooled fund and 8.3% (2011 – 5.4%) in a money market pooled fund.

The forecast of net cash outflows (cash outflows net of cash inflows) for the Plan have been determined using the long-term assumptions noted above and are described below. The cash inflow is the amount of contributions received by the defined benefit plan and the cash outflow is the amount required to pay all pension obligations. The net cash outflows include a 6.00% (2011 – 6.25%) assumed rate of return on investments and employer contributions calculated as 79.2% of total benefit payments.

	Net Cash Outflow (000's)
Next 5 years	$ 1,696
Next 10 years	$ 3,240
Next 30 years	$ 8,845

12. Casino Operating Agreement with the Saskatchewan Indian Gaming Authority

Effective June 11, 2007 the Province and the Federation of Saskatchewan Indian Nations (FSIN) agreed to amend the 2002 Framework Agreement for the purpose of increasing economic and employment opportunities for Aboriginal peoples through casino development within the parameters of *The Criminal Code of Canada*. This amendment also permitted SIGA to retain $5 million annually from slot machine operations as a capital reserve for the sole purpose of acquiring capital assets. This $5 million is a receivable due from SIGA and is included in slot machine receivable disclosed in Note 9.

The 2002 Framework Agreement has a term of 25 years. Similar to its predecessor, the 1995 Framework Agreement, the 2002 Framework Agreement requires the Province to retain a portion of the net profits from slot machines in the GRF and distribute the remaining profits to the First Nations Trust, and the Community Development Corporations.

To implement the Framework Agreement, SLGA and SIGA made agreements for casino operations and slot machine management. The Casino Operating Agreement requires SIGA to pay the net profits from slot machines to SLGA. This agreement also ensures SLGA recovers the cost of slot machines, the related computer system, and interest over five years.

Also under the Agreement, SIGA has granted a first charge security interest on all its present and after acquired assets to SLGA to secure contractual obligations of SIGA under the Agreement. However, the Agreement requires SLGA, upon joint written request by SIGA and its lenders, to postpone such security in favour of the lenders who require a prior charge relating to funds lent to SIGA for the financing of its operations carried out in accordance with the Agreement. As of March 31, 2012, SIGA owes $63,284 thousand under a $79,000 thousand long-term financing agreement with a financial institution (Bank) (Note 13). SLGA has postponed its security in regards to this financing agreement.

In order to manage its interest rate exposure, SIGA entered into separate interest rate swap arrangements for its long-term debt related to the Dakota Dunes, Living Sky and Painted Hand construction projects. The interest rate swaps came into effect on April 1, 2008 and April 1, 2009. These swap arrangements fixed the interest rates at 4.94% to 5.09% for the duration of the long-term debt (March 31, 2023 and March 31, 2024).

Under the Casino Operating Agreement between SIGA and SLGA, SIGA is permitted to charge its losses from table games and ancillary operations as an expense of slot machine operations. As well, the Casino Operating Agreement requires SIGA to pay to the Indigenous Gaming Regulators Inc. (IGR) funds equal to IGR's operating budget upon direction from SLGA.

Effective for the year ended March 31, 2008 and subsequent years, the Casino Operating Agreement between SIGA and SLGA has been amended to exclude unrealized gains and losses on the interest rate swaps initiated on December 12, 2007, from the calculation of net Casino profits payable to SLGA. These unrealized gains and losses are netted against the slot machines receivable due from SIGA disclosed in Note 9. As of March 31, 2012, the accumulated unrealized loss reducing the slot machines receivable was $7,637 thousand (2011 – $5,148 thousand).

In addition, under an agreement with Saskatoon Prairieland Park Corporation (SPPC), SIGA is required to pay SPPC compensation for the closure of its casino (Note 13).

During the year, SIGA charged losses as an expense of slot machine operations, and paid IGR and SPPC as follows:

	2012 (000's)	2011 (000's)
Table games revenues	$ 10,638	$ 9,731
Table games expenses	13,670	13,979
Net losses from table games	$ 3,032	$ 4,248
Ancillary operations revenues	$ 17,044	$ 12,980
Ancillary operations expenses	24,545	24,760
Net losses from ancillary operations	$ 7,501	$ 11,780
Total losses expensed	10,533	16,028
IGR payment	3,232	3,232
SPPC payment	2,600	2,600
	$ 16,365	$ 21,860

13. Commitments

SLGA

Leases: SLGA, as lessee, is committed to pay under operating leases on leased premises the following minimum amounts in future years:

Year Ending March 31	(000's)
Less than one year	$ 4,078
Between one and five years	7,814
More than five years	309
Total	$ 12,201

SIGA Leases, Casino and Debt

Under the Casino Operating Agreement, SLGA allows SIGA to recover its costs for approved casino operating expenses, contractual obligations, and commitments from SLGA's slot machine revenues. SIGA's contractual obligations and commitments are as follows:

Operating leases: SIGA has obligations under casino operating leases for buildings, equipment and vehicles. SIGA has also previously committed to providing sponsorship funding to various agencies. The minimum lease payments over the next five years are as follows:

Year Ending March 31		(000's)
Less than one year	$	5,418
Between one and five years		15,999
More than five years		4,693
	$	26,110

The above commitments include amounts committed to parties related to SIGA totalling $20,184 thousand for years 2012 through 2016 and $4,693 thousand for the years beyond 2016.

Finance Leases: SIGA has entered into a finance lease agreements for the Dakota Dunes, Living Sky and Painted Hand Casinos with related parties. The minimum lease payments under these finance lease obligations are as follows:

Year Ending March 31		(000's)
Less than one year	$	6,532
Between one and five years		26,126
More than 5 years		68,260
Total	$	100,918

Due to the related party nature of the capital lease obligation, fair value information has not been disclosed as fair value cannot be reliably measured.

Long-term debt: In 2007, SIGA made a long-term financing agreement with the Bank for $79,000 thousand to finance the new casino projects. As of March 31, 2012, SIGA owes $63,284 thousand (2011 - $68,220 thousand) under this agreement at interest rates varying from 4.94% to 5.09%. SIGA's principal repayments are as follows:

Year Ending March 31	(000's)
2013	$ 5,453
2014	46,631
2015	11,200
Total	$ 63,284

Other: The Casino Operating Agreement requires SIGA to transfer to IGR funds to support IGR's annual operating budget. For 2013, the budgeted transfers are $3,232 thousand (2012 - $3,232 thousand).

As well, under an agreement with SPPC and effective August 10, 2007, SIGA began paying SPPC $2,600 thousand annually, subject to certain conditions, for 30 years payable in monthly installments of $217 thousand. In 2012, SIGA paid $2,600 thousand (2011 - $2,600 thousand) to SPPC, which is recorded as part of the SIGA other operating expenses.

14. Liquor Sales

	2012 (000's)	2011 (000's)
Wines, coolers and spirits		
In stores:		
-To permittees	$ 62,668	$ 58,859
-To public	208,283	199,981
	270,951	258,840
To franchisees:		
-To permittees	5,805	5,960
-To public	28,969	26,910
	34,774	32,870
	305,725	291,710
Beer		
-To permittees	139,345	138,071
-In stores	114,556	109,326
-To franchisees	12,218	11,365
	266,119	258,762
Total	$ 571,844	$ 550,472

15. 2012 Budget

These amounts represent the budget approved by Treasury Board.

16. Segmented Information

SLGA operates in four segments – liquor, VLT, slots in SIGA casinos, and other gaming.

The liquor segment reflects the retailing and licensing of beverage alcohol activities within the province.

The VLT segment reflects the operation of the VLT program under the authority of Section 207 of the *Criminal code of Canada* and *The Alcohol and Gaming Regulation Act, 1997.*

The slots in SIGA casinos segment reflect the operations of SLGA's slot machines in SIGA casinos (see Note 12).

The Other Gaming segment reflects the licensing and support of charitable and religious organizations that conduct and manage bingos, casinos, raffles, and breakopen ticket sales and the regulation and support of the horse racing industry. The Other Gaming segment also includes the breakopen vending machine program.

The breakopen vending machine operations consists of vending machines capable of dispensing lottery tickets that may have a stipulated prize hidden under a paper covering. On behalf of SLGA, tickets for the breakopen vending machine (breakopen) operation are distributed by Pollard Banknote Limited Partnership. The breakopen operation had revenues net of prizes of $407 thousand (2011 - $497 thousand) and expenses (including operating expenses, Goods and Services Tax, and distributions to charities) of $345 thousand (2011 - $462 thousand) for the year. Included in Other Gaming segment is a $63 thousand net income (2011 - $35 thousand net income) relating to the breakopen operation.

Key amounts by segment as follows:

	SEGMENTS					
	2012 (000's)					2011 (000's)
	LIQUOR	VLT	SLOTS IN SIGA CASINOS	OTHER GAMING	TOTAL	TOTAL
Revenues	$ 571,844	226,425	238,474	---	1,036,743	$ 1,000,633
Other Income	2,870	188	---	463	3,521	3,657
Total Revenues	574,714	226,613	238,474	463	1,040,264	1,004,290
Direct Expenses	282,428	34,354	---	---	316,782	302,819
Operating Expenses (Schedule 2)	73,623	8,800	156,833	18,235	257,491	253,020
Total Expenses	356,051	43,154	156,833	18,235	574,273	555,839
Subtotal	218,663	183,459	81,641	(17,772)	465,991	448,451
Unrealized gain on Interest rate swaps (Note 21)	---	---	(2,489)	---	(2,489)	345
Net income (loss)	218,663	183,459	79,152	(17,772)	463,502	448,796
Retained earnings (deficit) beginning of year	(74)	---	(5,148)	---	(5,222)	(16,955)
Transfer to General Revenue Fund	218,589	183,459	81,641	(17,772)	465,917	437,063
Retained earnings (deficit) end of year	$ ---	---	(7,637)	---	(7,637)	$ (5,222)
Property, plant and equipment	$ 18,812	516	14,635	298	34,261	$ 39,497
Property, plant and equipment purchases	$ 1,384	45	6,871	---	8,300	$ 5,623
Amortization	$ 3,251	370	9,400	415	13,436	$ 14,116

17. Related Parties

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to SLGA by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties). Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

SLGA also pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Ministry of Finance. Taxes paid are recorded as part of the cost of those purchases.

SLGA also collect liquor consumption tax from customers and remits to the Saskatchewan Ministry of Finance.

SLGA's Key Management Personnel Compensation

Key management personnel include the president and vice presidents. The compensation paid (including benefits) to key management for employee services is shown below:

	2012 (000's)	2011 (000's)
Salaries and short-term employee benefits	$ 1,166	$ 1,096
Post-employment benefits	128	60
	$ 1,294	$ 1,156

18. Contingencies

	2012 (000's)	2011 (000's)
Court proceedings (i)	$ 5,710	$ 5,800

(i) As part of ongoing operations SLGA faces legal actions initiated by third parties and contract disputes. At year-end there were actions outstanding against SLGA, which the likelihood of loss is unlikely. Settlements arising from the resolution of these actions will be accounted for in the year in which the settlements occur.

19. Provisions

	Long-term Employee Benefits (000's)	Short-term Employee Benefits (000's)	Total (000's)
Balance, April 1, 2010	$ 1,800	$ 1,075	$ 2,875
Provisions made during the period	---	1,075	1,075
Provisions used during the period	---	(1,075)	(1,075)
Balance, March 31, 2011	$ 1,800	$ 1,075	$ 2,875
Provisions made during the period	---	1,075	1,075
Provisions used during the period	(110)	(1,075)	(1,185)
Balance, March 31, 2012	$ 1,690	$ 1,075	$ 2,765

Long-term Employee Benefits

The provision for long-term employee benefits represents compensation claims made by employees for part-time pension benefits. SLGA recognized a liability of $1,690 thousand (2011 - $1,800 thousand) in respect of the part-time pension benefit claims outstanding against SLGA, but not paid out as of March 31, 2012.

Short-term Employee Benefits

The provision for short-term employee benefits represents annual sick leave and long service gratuity entitlements.

20. Western Canada Lottery Corporation

The Saskatchewan Video Lottery Division (Division) of the Western Canada Lottery Corporation (WCLC) operates the video lottery terminals and central computer system on behalf of SLGA. WCLC provides accounting, purchasing, cash disbursements, human resources and technical services for the VLT program. WCLC also operates and generally maintains the slot machines and related computer system at the SIGA casinos for SLGA and the breakopen vending machines on behalf of SLGA. For the year ended March 31, 2012, WCLC charged SLGA $13,161 thousand (2011 - $12,888 thousand) to operate the VLT, slot machine program and the breakopen vending machines for the year.

WCLC sponsors a defined benefit retirement plan for the employees of the Division. The cost of the retirement plan is included in the amount paid to WCLC. During the year, SLGA paid WCLC and expensed a total of $686 thousand (2011 - $785 thousand) which is included in salary, wages, and benefits on Schedule 1.

As of March 31, 2012, the retirement plan is in a deficit status of $2,547 thousand (2011 - $1,850 thousand funded deficit status).

21. Financial Risks

Fair Value

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics such as risk and remaining maturities. Fair value measurements are subjective in nature, and represent point-in-time estimates which may not reflect fair value in the future.

The methods and assumptions used to develop fair value measurements have been prioritized into three levels as per the fair value hierarchy included in IFRS. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs other than quoted prices included in Level one that are observable for the asset or liability. Level three includes inputs that are not based on observable market data.

The following table presents the carrying amount and fair value of SLGA's financial instruments. The table also identifies the financial instrument category and fair value hierarchy.

(in 000's)

Financial Instruments	Classification[1]	Fair Value Hierarchy	2012 Carrying Amount	2012 Fair Value	2011 Carrying Amount	2011 Fair Value
Cash	FVTPL	Level One	$ 1,897	$ 1,897	$ 1,590	$ 1,590
Due from General Revenue Fund	FVTPL	Level One	41,176	41,176	43,215	43,215
Trade and other receivables	L&R	N/A	62,515	62,515	49,678	49,678
Trade and other payables	OFL	N/A	23,856	23,856	21,350	21,350
Payable to General Revenue Fund	OFL	N/A	95,813	95,813	98,303	98,303
GST Payable	OFL	N/A	1,735	1,735	1,359	1,359

[1] Classification:

FVTPL – Fair value through profit and loss, L&R - Loans and receivables, OFL - Other financial liabilities

SLGA is exposed to a number of financial risks in the normal course of operations.

Credit and Interest Rate Risk

SLGA is exposed to minimal credit and interest risks from the potential non-payment of accounts receivable as most receivables are either short-term and are collected shortly after year end or are from SIGA. SLGA exerts significant influence over SIGA's operations and SIGA remits the amount owing to SLGA in accordance with the Casino Operating Agreement described in Note 12. The VLT receivable is collected shortly after March 31 in accordance with the agreement for services between SLGA and WCLC as described in Note 20.

The maximum credit risk from these financial instruments is limited to the carrying value of the financial assets summarized below:

	2012 (000's)	2011 (000's)
Cash	$ 1,897	$ 1,590
Due from General Revenue Fund	41,176	43,215
Accounts Receivable	62,515	49,678
	$ 105,588	$ 94,483

As described in Note 3(m), SLGA is exposed to SIGA's credit and interest rate risks. SIGA's financial risks arise mainly from its bank financing ($63,284 thousand – March 31, 2012; $68,220 thousand – March 31, 2011) and its interest rate swap arrangements which are partially offset by changes in interest rates on its variable borrowings. At March 31, 2012, if interest rates at that date had changed 100 basis points, with all other variables held constant, SLGA's net income would have changed $2,772 thousand.

As of March 31, 2012, there was no impairment required on any of the financial assets of SLGA and SIGA.

Foreign Currency Exchange Risk

SLGA is exposed to foreign exchange risk due to purchase transactions for liquor and electronic gaming machines. As of March 31, 2012, SLGA had $236 thousand (2011 - $24 thousand) in United States (U.S.) financial liabilities. SLGA is also exposed to foreign exchange risks resulting from a U.S. dollar denominated cash deposit account. This U.S. dollar denominated cash deposit account is included in SLGA's group of Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. As of March 31, 2012, SLGA has $839 thousand (2011 – $652 thousand) in this account.

In 2012, SLGA recorded a $8 thousand loss (2011 - $28 thousand gain) due to the variation in the foreign exchange rates.

To date, SLGA has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.

Liquidity Risk

Liquidity risk is the risk that SLGA will not be able to meet its financial obligations as they fall due. The majority of SLGA operational activity involves cash sales and short-term accounts receivables. SLGA relies on funds generated from its operations to meet operating requirements and to finance capital investment.

Contractual cash flows - 2012
(In 000's)

FINANCIAL LIABILITIES	Carrying amount	Total	0 - 6 months	7 - 12 months	1 - 2 years	3 - 5 years	Greater than 5 years
Trade and other payables	$ 23,856	$ 23,856	23,856	---	---	---	---
Payable to the GRF	95,813	95,813	95,813	---	---	---	---
GST Payable	1,735	1,735	1,735	---	---	---	---
Provisions	2,765	2,765	1,075	---	1,690	---	---
Post Employment Benefits	51,329	51,329	2,190	2,190	4,380	8,760	33,809
	$ 175,498	$ 175,498	$ 124,669	$ 2,190	$ 6,070	$ 8,760	$ 33,809

Contractual cash flows - 2011
(In 000's)

FINANCIAL LIABILITIES	Carrying amount	Total	0 - 6 months	7 - 12 months	1 - 2 years	3 - 5 years	Greater than 5 years
Trade and other payables	$ 21,350	$ 21,350	21,350	---	---	---	---
Payable to the GRF	98,303	98,303	98,303	---	---	---	---
GST Payable	1,359	1,359	1,359	---	---	---	---
Provisions	2,875	2,875	1,075	---	1,800	---	---
Post Employment Benefits	43,942	43,942	2,190	2,190	4,380	8,760	26,422
	$ 167,829	$ 167,829	$ 124,277	$ 2,190	$ 6,180	$ 8,760	$ 26,422

22. Capital

SLGA's capital structure consists of current payables and post employment benefits, cash and cash equivalents, and retained earnings. The Treasury Board determines the disposition of SLGA's retained earnings (Note 5). SLGA management's objectives to manage its capital are to use capital to provide an appropriate return on investment to the Government of Saskatchewan and to preserve financial flexibility in order to maintain SLGA's ability to meet financial obligations.

SLGA does not set a target rate of return on capital for managing its operations but rather promotes year-over-year sustainable profitable growth. SLGA is not subject to any externally imposed capital requirements.

23. Funds held in Trust

SLGA holds funds in trust on behalf of employees as part of SLGA's extended health care plan. At March 31, 2012, SLGA held $513 thousand (2011 - $865 thousand) on behalf of in-scope employees.

24. Explanation of Transition to IFRS

(a) Application of IFRS 1

As stated in Note 2(a), these are SLGA's first financial statements prepared in accordance with IFRS. The accounting policies described in Note 3 have been applied to all periods presented.

SLGA adopted IFRS on April 1, 2011, and applied IFRS 1 in preparing these financial statements. IFRS 1 requires that comparative financial information be provided. As a result, the first date at which SLGA has applied IFRS was April 1, 2010 (Transition Date). The reporting date for these financial statements is March 31, 2012.

In preparing these financial statements in accordance with IFRS 1, SLGA has applied the following mandatory exemptions and optional exemptions from full retrospective application of IFRS.

(b) IFRS mandatory exemptions

(i) Significant estimates

An entity's estimates under IFRS at the Transition Date shall be consistent with estimates made at the same date under previous GAAP (after adjustments to reflect difference in accounting policies) unless there is objective evidence that those estimates were in error. All SLGA's estimates reflect conditions in effect at transition.

(c) IFRS optional exemptions

(i) Property, Plant and Equipment

IFRS 1 provides the option to measure an item of property, plant and equipment at the Transition Date at its fair value and use that fair value as its deemed cost at that date. The fair value then becomes the deemed cost which is subject to subsequent amortization. SLGA has elected to transition all property, plant and equipment at historical cost, retrospectively applying the transition to IFRS.

(ii) Leases

IFRS 1 provides the option to apply the transitional provisions in International Financial Reporting Interpretations Committee (IFRIC) 4, Determining Whether an Arrangement Contains a Lease. SLGA has elected to recognize leases in existing agreements at the Transition Date. SLGA did not have any agreements that contained a lease at the date of transition.

(iii) Employee Benefits

IFRS 1 provides the option to retrospectively apply the corridor approach under IAS 19, Employee Benefits, for the recognition of actuarial gains and losses, or recognize all cumulative gains and losses deferred under Canadian GAAP in opening retained earnings at the Transition Date. SLGA elected to recognize all cumulative actuarial gains and losses that existed at the Transition Date in opening retained earnings for SLGA's defined benefit pension plan.

In addition, as permitted by IFRS 1, SLGA has elected to disclose the amounts required by IAS 19, paragraph 120A(p), as the amounts are determined for each accounting period prospectively from the Transition Date.

25. Reconciliations of Canadian GAAP to IFRS

In preparing the opening IFRS statement of financial position, SLGA has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the SLGA's equity; financial position; earnings; and cash flows for the respective periods noted is set out in the following tables and the notes that accompany the tables.

Reconciliation of Equity
As at March 31

As at:	Notes	March 31, 2011 (000's)	April 1, 2010 (000's)
Total equity under Canadian GAAP		$ (5,148)	$ (10,587)
IFRS Adjustments to equity:			
Restatement of provisions	a	(1,075)	(1,075)
Restatement of property, plant and equipment	b	(279)	(234)
Restatement of post employment benefits	c	1,280	(5,059)
Total IFRS adjustments		(74)	(6,368)
Total equity under IFRS		**$ (5,222)**	**$ (16,955)**

Reconciliation of Consolidated Statement of Financial Position as at April 1, 2010

	Notes	Canadian GAAP (000's)	IFRS Adjustments (000's)	IFRS Reclass (000's)	IFRS (000's)
ASSETS					
Current assets:					
Cash		$ 2,409	$ ---	$ ---	$ 2,409
Due from General Revenue Fund		42,492	---	---	42,492
Trade and other receivables		53,203	---	---	53,203
Prepaid expenses		729	---	---	729
Inventory		28,620	---	---	28,620
Total current assets		127,453	---	---	127,453
Non-current assets:					
Property, plant and equipment	b	48,308	(234)	(5,036)	43,038
Intangible assets	b	---	---	5,036	5,036
Total non-current assets		48,308	(234)	---	48,074
Total assets		175,761	(234)	---	175,527
Current Liabilities:					
Trade and other payables	a	29,191	---	(1,800)	27,391
Payable to the General Revenue Fund		116,121	---	---	116,121
Goods and Services Tax payable		862	---	---	862
Provisions	a	---	1,075	---	1,075
Total current liabilities		146,174	1,075	(1,800)	145,449
Non-current liabilities					
Long-term Provisions	a	---	---	1,800	1,800
Post employment benefits	c	40,174	5,059	---	45,233
Total non-current liabilities		40,174	5,059	1,800	47,033
Total liabilities		186,348	6,134	---	192,482
Equity					
Retained earnings (deficit) (Statement 3)	a, b, c	(10,587)	(6,368)	---	(16,955)
Total Equity		$ (10,587)	$ (6,368)	$ ---	$ (16,955)
Total Liabilities & Equity		$ 175,761	$ (234)	$ ---	$ 175,527

Reconciliation of Consolidated Statement of Financial Position as at March 31, 2011

	Notes	Canadian GAAP (000's)	IFRS Adjustments (000's)	IFRS Reclass (000's)	IFRS (000's)
ASSETS					
Current assets:					
Cash		$ 1,590	$ ---	$ ---	$ 1,590
Due from General Revenue Fund		43,215	---	---	43,215
Trade and other receivables		49,678	---	---	49,678
Prepaid expenses		1,025	---	---	1,025
Inventory		27,602	---	---	27,602
Total current assets		123,110	---	---	123,110
Non-current assets:					
Property, plant and equipment	b	39,776	(279)	(4,793)	34,704
Intangible assets	b	---	---	4,793	4,793
Total non-current assets		39,776	(279)	---	39,497
Total assets		162,886	(279)	---	162,607
Current Liabilities:					
Trade and other payables	a	23,150	---	(1,800)	21,350
Payable to the General Revenue Fund		98,303	---	---	98,303
Goods and Services Tax payable		1,359	---	---	1,359
Provisions	a	---	1,075	---	1,075
Total current liabilities		122,812	1,075	(1,800)	122,087
Non-current liabilities					
Long-term Provisions	a	---	---	1,800	1,800
Post employment benefits	c	45,222	(1,280)	---	43,942
Total non-current liabilities		45,222	(1,280)	1,800	45,742
Total liabilities		168,034	(205)	---	167,829
Equity					
Retained earnings (deficit) (Statement 3)	a, b, c	(5,148)	(74)	---	(5,222)
Total Equity		$ (5,148)	$ (74)	$ ---	$ (5,222)
		$ 162,886	$ (279)	$ ---	$ (5,222)

Reconciliation of Statement of Comprehensive Income
For the Year Ended March 31, 2011

	Notes	Canadian GAAP (000's)	IFRS Adjustments (000's)	IFRS Reclass	IFRS (000's)
OPERATING					
Revenues:					
Liquor sales		$ 550,472	$ ---	$ ---	$ 550,472
VLT		223,265	---	---	223,265
Slot machines	e	235,479	---	(8,583)	226,896
Licence, permit, and other income	d	3,657	---	(109)	3,548
		1,012,873		(8,692)	1,004,181
Cost of sales:					
Cost of liquor		268,929	---	---	268,929
VLT site commissions		33,890	---	---	33,890
Slot promotional allowances	e	8,583	---	(8,583)	---
		311,402	---	(8,583)	302,819
Gross profit on sales		701,471	---	(109)	701,362
Expenses (Schedule 1):					
VLT, liquor and other gaming	b & c	96,512	(6,294)	---	90,218
Slot machines expense		140,942	---	---	140,942
Other		21,860	---	---	21,860
Total expenses		259,314	(6,294)	---	253,020
Operating Income		442,157	6,294	(109)	448,342
FINANCING					
Gains (losses) on disposals of non-current assets	d	---	---	109	109
Financing Income		---	---	109	109
DISCONTINUED OPERATIONS					
Gain (loss) on discontinued operations		---	---	---	---
Net Income		442,157	6,294	---	448,451
Unrealized gain (loss) in interest rate swaps		345	---	---	345
Total Comprehensive Income		$ 442,502	$ 6,294	$ ---	$ 448,796

Reconciliation of Statement of Cash Flows
For the Year Ended March 31, 2011

	Notes	Canadian GAAP (000's)	IFRS Adjustments (000's)	IFRS Reclass (000's)	IFRS (000's)
BUSINESS					
Operating					
Receipts from customers	d	$ 1,044,004	$ ---	$ ---	$ 1,044,004
Interest received		191	---	---	191
Payments made to suppliers and other		(554,988)	---	55,230	(499,758)
Payments made to employees		---	---	(55,230)	(55,230)
Payments made to grant recipients		(10,226)	---	---	(10,226)
Payment of Goods and Services Tax		(18,682)	---	---	(18,682)
Net cash provided by (used in) operating activities		460,299	---	---	460,299
Investing					
Purchase of property, plant and equipment	b	(5,623)	---	1,452	(4,171)
Purchase of intangibles	b	---	---	(1,452)	(1,452)
Disposition of property, plant and equipment	d	109	---	---	109
Net cash provided by (used in) investing activities		(5,514)	---	---	(5,514)
Net cash provided by BUSINESS activities		454,785	---	---	454,785
FINANCING					
Cash deposited in General Revenue Fund		(454,881)	---	---	(454,881)
Net cash provided (used in) FINANCING activities		(454,881)	---	---	(454,881)
Net (decrease) increase in cash position		(96)	---	---	(96)
Cash position, beginning of year		44,901	---	---	44,901
Cash position, end of year		$ 44,805	$ ---	$ ---	$ 44,805
Cash position consists of:					
Cash		$ 1,590	$ ---	$ ---	$ 1,590
Due from General Revenue Fund		43,215	---	---	43,215
		$ 44,805	$ ---	$ ---	$ 44,805

NOTES FOR RECONCILIATION
MARCH 31, 2011

a. Restatement of provisions

Under IAS 1 Presentation of financial statements, a provision is accrued for contractual and constructive obligations associated with employee benefits. Provisions are disclosed as a separate line item in the financial statements under IFRS. SLGA allows employees to carry forward earned paid leave and use it in future periods. SLGA has determined an estimate of the expected value of paid sick leave earned by employees that will be used in future periods. SLGA also provides employees with a long service gratuity upon retirement. An estimate of the present value of the long service gratuity has been calculated and recognized in the financial statements. Under Canadian GAAP, no such estimates were required.

Statement of Financial Position	March 31, 2011 (000's)	March 31, 2010 (000's)
Trade and other payables	(1,800)	(1,800)
Provisions	1,075	1,075
Long-term provisions	1,800	1,800
Retained Earnings	(1,075)	(1,075)
Total liability and equity	$ ---	$ ---

b. Restatement of property, plant and equipment

Under IAS 16 Property, plant and equipment, property, plant and equipment is split into the significant components of an asset. Under Canadian GAAP, SLGA's accounting policy was to capitalize all components under a single asset.

Under IAS 1 Presentation of financial statements, intangible assets are disclosed as separate line items on the financial statements. SLGA's intangible assets consists of software. Under Canadian GAAP, the separation of assets was not required.

On transition to IFRS, SLGA recognized significant components of certain assets and separated intangible assets from property, plant and equipment. The impact arising from the change is summarized as follows:

Statement of Financial Position	March 31, 2011 (000's)	March 31, 2010 (000's)
Property, plant and equipment	(5,072)	(5,270)
Intangible Assets	4,793	5,036
Total assets	$ **(279)**	$ **(234)**
Retained earnings	$ (279)	$ (234)
Total liability and equity	$ **(279)**	$ **(234)**

Statement of Comprehensive Income	March 31, 2011 (000's)
Property, plant and equipment amortization	45
Adjustment to Net Income	**$ (45)**

c. Restatement of Employee Benefits

Under IAS 19 Employee Benefits, SLGA's accounting policy is to recognize all actuarial gains and losses arising from defined benefit plans directly in income in the period in which they arise. Under Canadian GAAP, SLGA recognized actuarial gains and losses in income over the average remaining service life of the employees in the Plan (corridor approach).

At the Transition Date, SLGA elected to recognize all previously unrecognized cumulative actuarial gains and losses for all defined benefit plans in retained earnings. The impact arising from the change is summarized as follows:

Statement of Financial Position	March 31, 2011 (000's)	March 31, 2010 (000's)
Post Employment Benefits	(1,280)	5,059
Retained Earnings	1,280	(5,059)
Total liability and equity	**$ —**	**$ —**

Statement of Comprehensive Income	March 31, 2011 (000's)
Salaries, wages and benefits	(6,339)
Adjustment to Net Income	**$ 6,339**

d. Reclassification of other income

The impact arising from the reclassification is summarized as follows:

Statement of Comprehensive Income	March 31, 2011 (000's)
Licence, permit, and other income	(109)
Gains (losses) on disposal of non-current assets	109
Adjustment to Net Income	**$ —**

e. Reclassification of slot promotional allowance

Under Canadian Generally Accepted Accounting Principles, the retail value of goods and services provided to guests without charge was included in revenue and then deducted as a separate promotional allowance expense. Under IAS 18 Revenue, revenue is reported net of promotional allowances. There is no impact to net income.

26. Comparative Figures

Certain prior year balances have been reclassified to conform to the current year's financial statement presentation.

Schedule 1

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
SCHEDULE OF OPERATING EXPENSES
For the Year Ended March 31

	VLT, Liquor & Other Gaming		Slots in SIGA Casinos*		Total	
	2012 (000's)	2011 (000's)	2012 (000's)	2011 (000's)	2012 (000's)	2011 (000's)
Salaries, wages and benefits	$ 58,899	$ 48,922	$ 50,242	$ 53,757	$ 109,141	$ 102,679
Advertising, printing and promotion	57	55	25,588	24,015	25,645	24,070
Operations and maintenance	1,405	1,342	23,756	21,603	25,161	22,945
Rent, utilities and insurance	6,606	6,653	8,486	9,519	15,092	16,172
Professional and contractual services	9,653	9,969	4,488	4,355	14,141	14,324
Depreciation	4,036	4,327	9,400	9,834	13,436	14,161
Service charges and interest	400	383	9,287	8,547	9,687	8,930
Grants (Note 3(l))	9,019	8,683	---	---	9,019	8,683
Goods and Services Tax	2,177	2,086	3,958	3,760	6,135	5,846
Debit/Credit charges	3,490	3,160	---	---	3,490	3,160
Sundry	418	560	1,861	1,677	2,279	2,237
Information technology	1,953	1,338	---	---	1,953	1,338
Communications	509	582	1,428	1,499	1,937	2,081
Stationery and supplies	951	1,045	759	834	1,710	1,879
Travel and business	825	885	642	675	1,467	1,560
Honoraria and related expenses	89	112	573	867	662	979
Customer service programs	171	116	---	---	171	116
Indigenous Gaming Regulators (Note 12)	---	---	3,232	3,232	3,232	3,232
Saskatoon Prairieland Park Corporation (Note 12)	---	---	2,600	2,600	2,600	2,600
SIGA table and ancillary operation losses (Note 12)	---	---	10,533	16,028	10,533	16,028
	$ 100,658	$ 90,218	$ 156,833	$ 162,802	$ 257,491	$ 253,020

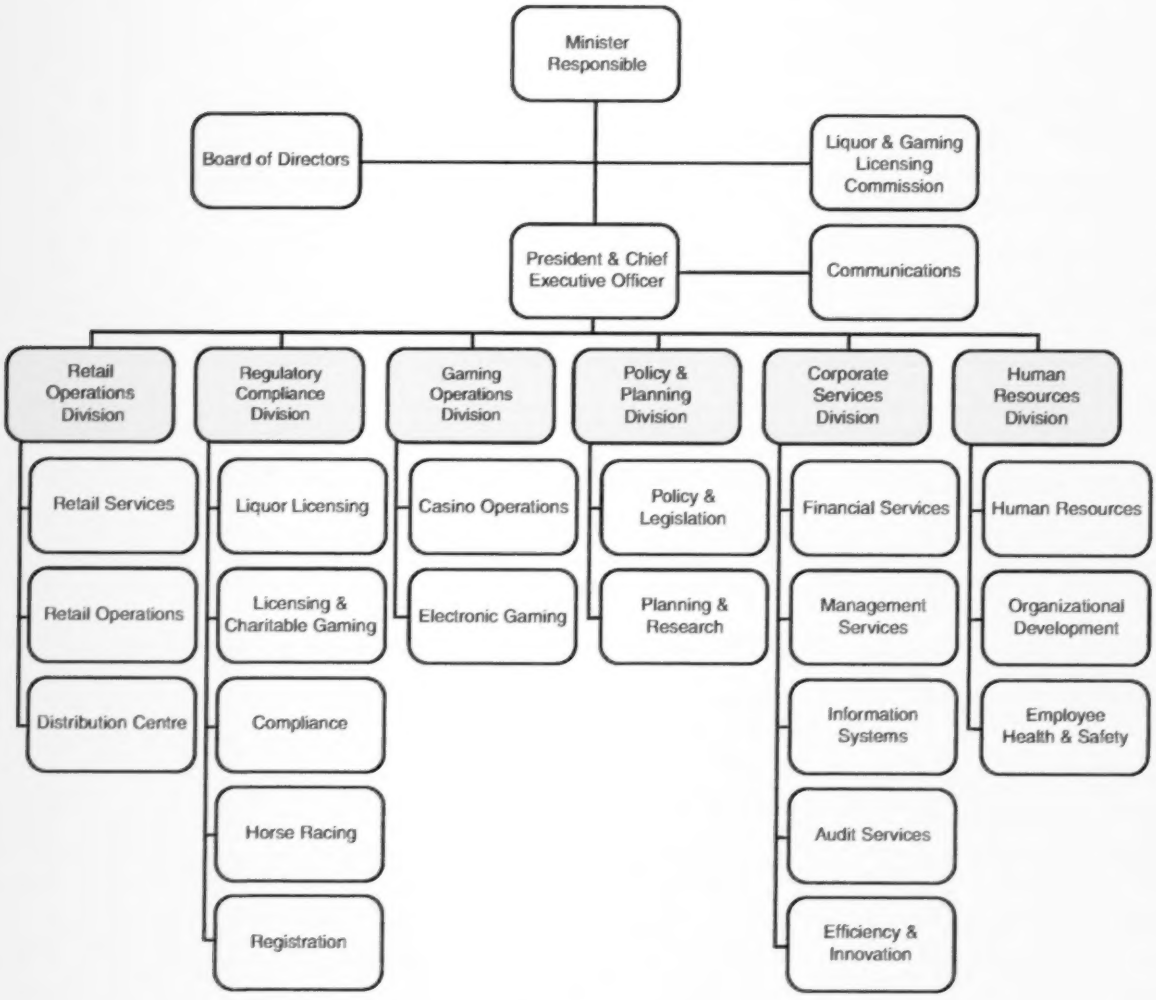
*Represents operating costs of SIGA Casinos.

Schedule 2

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
SCHEDULE OF SEGMENTED EXPENSES
For the Year Ended March 31

	Liquor		Other Gaming		VLT		Total	
	2012 (000's)	2011 (000's)	2012 (000's)	2011 (000's)	2012 (000's)	2011 (000's)	2012 (000's)	2011 (000's)
Salaries, wages and benefits	$ 51,447	$ 41,423	$ 7,452	$ 7,499	$ ---	$ ---	$ 58,899	$ 48,922
Professional and contractual services	2,126	2,243	914	937	6,613	6,789	9,653	9,969
Grants (Note 3(l))	1,079	1,052	7,940	7,631	---	---	9,019	8,683
Rent, utilities and insurance	6,408	6,461	198	192	---	---	6,606	6,653
Depreciation	3,251	3,499	415	417	370	411	4,036	4,327
Debit/Credit charges	3,487	3,158	3	2	---	---	3,490	3,160
Goods and Services Tax	---	---	360	301	1,817	1,785	2,177	2,086
Information Technology	1,630	1,087	323	251	---	---	1,953	1,338
Operations and maintenance	1,359	1,294	46	48	---	---	1,405	1,342
Stationery and supplies	895	982	56	63	---	---	951	1,045
Travel and business	576	634	249	251	---	---	825	885
Communications	402	456	107	126	---	---	509	582
Sundry	382	526	36	34	---	---	418	560
Service charges and interest	312	299	88	84	---	---	400	383
Customer service programs	171	116	---	---	---	---	171	116
Honoraria and related expenses	46	58	43	54	---	---	89	112
Advertising, printing and promotion	52	50	5	5	---	---	57	55
	$ 73,623	$ 63,338	$ 18,235	$ 17,895	$ 8,800	$ 8,985	$ 100,658	$ 90,218

Appendix A
SLGA Organizational Chart



Appendix B
Summary of SLGA's Partners and Stakeholders

Bingo Charity Associations and Individual Non-profit Groups. Charity associations and individual non-profit groups are the traditional beneficiaries of the gaming industry.

Brewers Association of Canada. Represents the multi-national brewers as well as several regional breweries. www.brewers.ca

Canadian Centre on Substance Abuse (CCSA). The CCSA is Canada's national addictions agency. Its mission is to provide objective, evidence-based information and advice that will help reduce the health, social and economic harm associated with substance abuse and addictions. www.ccsa.ca

Canadian Partnership for Responsible Gambling (CPRG). The CPRG is a collaboration of non-profit organizations, gaming providers, research centres and regulators working to find and promote effective ways to reduce the risk of problem gambling. www.cprg.ca

Canadian Restaurant and Foodservices Association (CRFA). (Saskatchewan Division). The CRFA has approximately 600 members in Saskatchewan including both licensed and non-licensed establishments. www.crfa.ca

Canadian Vintners Association. This is a national association dedicated to the promotion and wellbeing of Canada's wine sector. www.canadianvintners.com

Federation of Saskatchewan Indian Nations (FSIN). The FSIN represents 74 of Saskatchewan's First Nations. SLGA works with the FSIN in implementing the terms of the Gaming Framework Agreement. www.fsin.com

Indigenous Gaming Regulators (IGR). IGR licenses and regulates table games at SIGA casinos and on-reserve charitable gaming activities of those First Nations that have designated IGR as their regulator. www.igr.ca

Mothers Against Drunk Driving (MADD) Canada. MADD Canada is a charitable organization that is committed to stopping impaired driving through the promotion of public policy and legislative measures and through public awareness campaigns and educational programs. In addition, MADD provides support and resources to the victims of impaired-driving. www.madd.ca

Non-Profit Clubs. Consists of ethnic associations, service clubs, veteran organizations and sporting clubs (including golf and curling) that have a permanent facility/clubhouse and a special use permit (as opposed to groups who use special occasion permits and may or may not have a permanent location).

Responsible Gambling Council (RGC). The RGC is a non-profit organization that works with individuals and communities to address gambling in a healthy and responsible way. The Council undertakes research and public awareness programs designed to prevent gambling-related problems. www.responsiblegambling.org

Saskatchewan Government and General Employees Union (SGEU). Ninety per cent of SLGA employees are unionized and represented by SGEU. www.sgeu.org

Saskatchewan Hotel and Hospitality Association (SHHA). Established in 1932, SHHA represents both hotel owners and operators in urban areas and rural communities. www.hotelsofsask.com

Saskatchewan Indian Gaming Authority (SIGA). SIGA operates the province's six First Nations casinos on behalf of the FSIN. www.siga.sk.ca

Saskatchewan Liquor Vendors Association (SLVA). SLVA represents all of the rural liquor franchises. Franchises are licensed by SLGA to sell beverage alcohol in rural communities across the province.

Saskatchewan Tourism and Education Council (STEC). STEC delivers the *Serve it Right Saskatchewan* program. The program helps operators and servers of liquor permitted establishments understand their duty of care and promote responsible use, while maintaining or enhancing profits. STEC also offers *the Door Staff Workshop.* This program trains door staff in liquor permitted establishments to identify signs of intoxication, monitor the activities of patrons and reduce the risk of violence in and around permitted premises. www.stec.com

Saskatchewan Wine and Spirits Association (SWSA). SWSA is a provincial association dedicated to the promotion of wine and spirits within the provincial liquor industry.

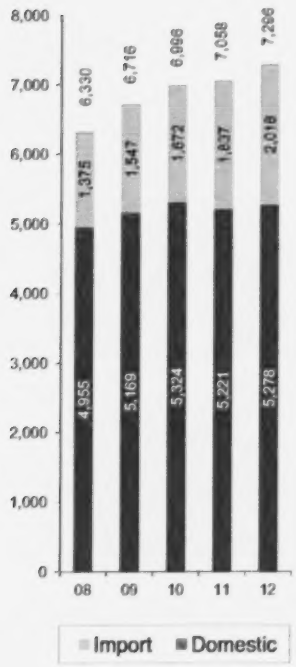
Spirits Canada. Spirits Canada, also known as the Association of Canadian Distillers, is the national trade association of Canadian manufacturers and marketers of distilled spirit products including Canadian whisky, rum, vodka, gin, liqueurs and coolers. www.acd.ca

Students Against Drinking and Driving (SADD) Saskatchewan. SADD is a charitable organization that strives to save lives and prevent injuries caused by drinking and driving. SADD works to achieve this goal through education and public awareness and by influencing legislation and public policy in areas related to drinking and driving. www.saddsask.ca

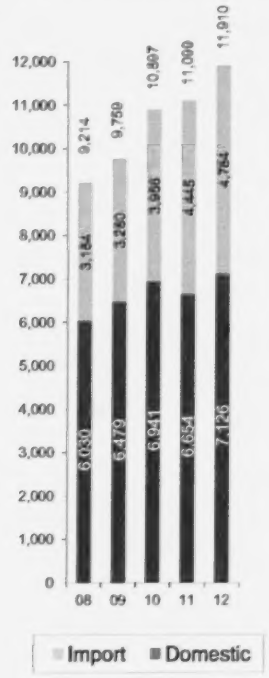
Western Canada Lottery Corporation (WCLC). WCLC is a non-profit organization authorized to operate lottery and gaming-related activities as agent for SLGA. www.wclc.com

Appendix C
Volume of Sales - Five Year History
Financial Years Ending March 31

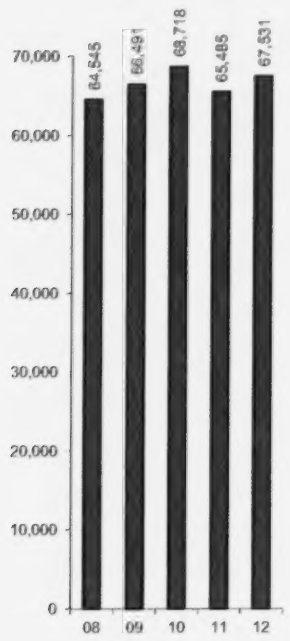
Spirits (000s of litres)



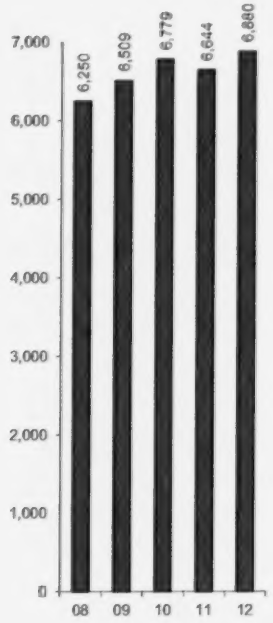
Wine and Coolers (000s of litres)



Beer (000s of litres)

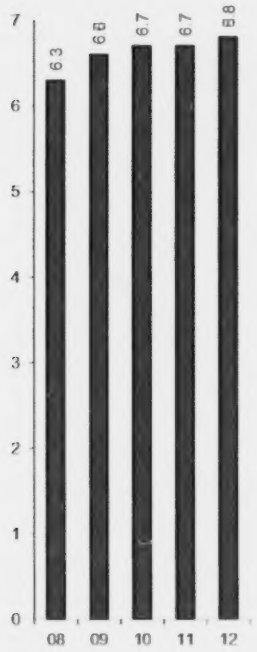


Absolute Alcohol (000s of litres)

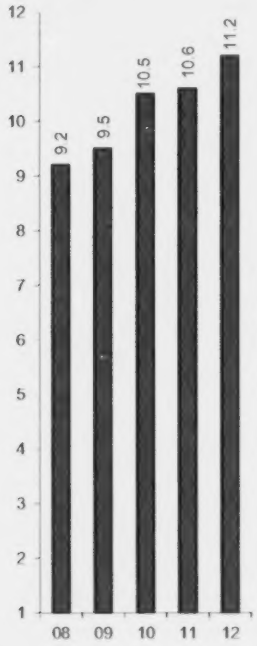


Appendix D
Per Capita Sales - Five Year History
Financial Years Ending March 31

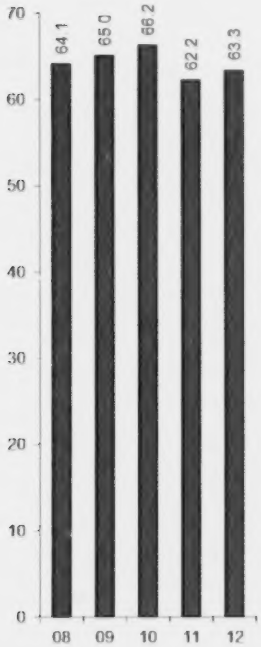
Spirits (litres)



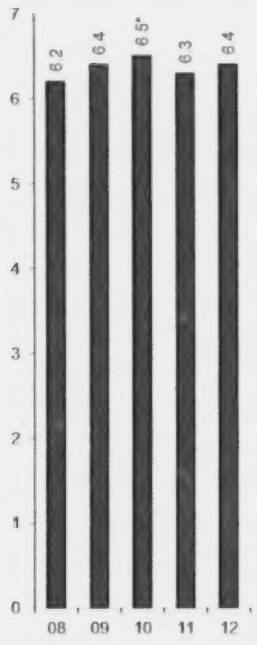
Wine and Coolers (litres)



Beer (litres)



Absolute Alcohol (litres)



*SLGA has restated the 2009-10 figure.

Appendix E
Saskatchewan Liquor and Gaming Licensing Commission

The Saskatchewan Liquor and Gaming Licensing Commission (Commission) is an independent body which reviews:

- decisions of the Saskatchewan Liquor and Gaming Authority (SLGA) with respect to liquor and gaming licensing, registration and cancellation/suspension matters within SLGA's jurisdiction, including its jurisdiction over SaskGaming and Saskatchewan Indian Gaming Authority (SIGA) casinos, horse racing, off-reserve bingo and all provincial liquor permittees;
- decisions of casino operators (SIGA and SaskGaming) respecting involuntary casino bans of patrons from their respective casinos; and,
- decisions of the Indigenous Gaming Regulators (IGR) respecting on-reserve charitable gaming.

The Commission's primary role is serving as an independent and fair quasi-judicial review body mandated to ensure proper application of the legislation and regulations governing the liquor, gaming and horse racing industries over which it has jurisdiction, while ensuring the fairness and integrity of those industries. Any licensed party who disagrees with a decision of SLGA or IGR that is within the Commission's jurisdiction and any individual who has been involuntarily banned from a casino by SaskGaming or SIGA has the right to apply to the Commission for a review. In most circumstances, the Commission stays the decision in issue pending the outcome of the Commission's review.

During 2011-12, the Commission scheduled and held 34 hearings to address the same number of requests for review of various decisions made by SLGA, SaskGaming and SIGA. In order to accommodate the public, hearings are scheduled whenever possible at the nearest major centre in the province to the cause of action. Seventeen hearings were held in each of Regina and Saskatoon.

Applications included reviews of SLGA's decisions to suspend liquor permits of various establishments, to review involuntary casino bans handed down by SaskGaming and to review suspensions and denials of licences relating to issues in contravention of the Rules of Racing in the horse racing industry. As well, the Commission reviews objections by the public to the granting of permits. The commission may decline to hear objections to liquor applications that are competition-based, frivolous or vexatious. During 2011-12, as a result of an applicant's advertising, one objection to the issuance of a permit was filed with the Commission and a hearing was held to speak to this objection.

Of the 34 hearings held during the past fiscal year, 17 were liquor-related, comprised of assessments of penalties and suspensions, denials of permits and objections to the issuance of a permit. Twelve hearings were gaming-related, all regarding casino admission bans. There were five hearings held with respect to horse racing, involving violations of the horse racing rules.

The Commission provides written reasons for its review on the merits of all matters it hears. These written decisions are a matter of public record and are maintained in the office of the Commission Registrar. The Commission members as of March 31, 2012 were:

Elaine R. Morgan, Chairperson, Gainsborough
Rod Sexsmith, Vice-Chairperson, Prince Albert
Sid Katzman, Secretary, Saskatoon
Theodore (Ted) Gleim, Member, Eastend
Murray Coulter, Member, Arborfield
Lawrence Skoretz, Member, Ituna

The Commission also has a part-time Registrar. Since 1997, the Commission has initiated procedural changes and is constantly reviewing its own policies to continue to ensure equitable treatment of all parties appearing before it. The Commission also makes written recommendations to SLGA regarding any significant regulatory issues that come to its attention through contact with the industries within its jurisdiction. It also continues to stay up to date in the changing environment of administrative law and the industries it regulates through its own research.

Appendix F
SLGA Fact Sheet: 2011-12 Results at a Glance

Financial	
SLGA net income	$463.5 M
SIGA net income	$79.2 M
Total liquor sales	$571.8 M
Liquor net income	$218.7 M
VLT net income	$183.5 M
VLT site commission	$34.4 M
Franchise commission	$7.8 M
Off-sale permittee beer discount	$12.3 M
Structure and Organization	
Number of SLGA employees	1,002
Number of retail liquor stores	79
Number of communities with SLGA stores	64
Number of off-sale outlets	441
Number of rural liquor franchises	188
Number of specialty wine store franchises	2
Total number of liquor outlets	710
Number of products listed by SLGA	2,262
Number of casinos	8
Number of slot machines in SIGA casinos	1,870
Number of slot machines in SaskGaming casinos	995
Number of VLTs	3,955
Number of communities with VLTs	296
Number of VLT sites	613
Compliance and Licensing	
Number of commercial liquor permittees	1,843
Number of special occasion permits issued	16,335
Number of sanctions (liquor, gaming and horse racing)	324
Number of registered gaming employees	3,213
Number of registered gaming suppliers	97
Charitable Gaming and Horse Racing	
Total number of bingo, raffle, breakopen, Texas Hold'em and Monte Carlo licences	3,482
Number of bingo halls	15
Total gross bingo sales	$18.7 M
Total gross raffle sales	$47.5 M
Total gross breakopen sales	$5.8 M
Total gross charitable gaming event sales	$42.6 M
Total gross Texas Hold'em and Monte Carlo event sales	$0.4 M
Total net proceeds to charity (bingo, raffle, breakopen, Texas Hold'em and Monte Carlo)	$26.7 M
Total grants paid to charitable gaming licensees	$6.0 M
Total provincial handle (all horse racing wagers)	$8.6 M
Total grants paid to the horse racing industry	$1.5 M
Race tracks receiving grant support from the province	4

All data as of March 31, 2012

Where to Obtain Additional Information

If you have any questions or comments about SLGA's Annual Report, or if you have specific questions about the programs and services provided by SLGA, please contact:

Saskatchewan Liquor and Gaming Authority
P.O. Box 5054
2500 Victoria Avenue
Regina, SK, S4P 3M3
www.slga.gov.sk.ca
(306) 787-4213 or Toll Free 1-800-667-7565.